

AGENDA

Audit Committee

Friday, 08 July 2022 AT 10:00

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

APPOINTMENT OF CHAIR

To appoint a Chair of the Audit Committee for the 2022/23 municipal year.

APPOINTMENT OF VICE CHAIR

To appoint a Vice-Chair of the Audit Committee for the 2022/23 municipal year.

APOLOGIES FOR ABSENCE

To receive apologies for absence and notification of substitutions

DECLARATIONS OF INTEREST

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any items on the agenda at this stage.

PUBLIC AND PRESS

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

MINUTES OF PREVIOUS MEETINGS

To note that Council, at its meeting of 26 April 2022, received and adopted the minutes of the meeting held on 23 March 2022. The Chair will sign the minutes.

[Copy minutes in Minute Book 48(6)]

PART A

To be considered when the Public and Press are present

A.1	<u>EXTERNAL AUDIT PLAN 2021/22</u>	7 - 28
	Grant Thornton to submit their Audit Plan for the year ending 31 March 2022. (Copy report herewith)	
A.2	<u>INTERNAL AUDIT PROGRESS (APRIL TO JUNE)</u>	29 - 44
	The Corporate Director of Finance and Resources to submit a report providing an overview of the work carried out by Internal Audit between April and June of 2022/23. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations. (Copy Report RD.09/22 herewith)	
A.2(i)	<u>INTERNAL AUDIT REPORT – PROPERTY INCOME</u>	45 - 64
	(Copy Report RD.18/22 herewith)	
A.2(ii)	<u>INTERNAL AUDIT REPORT – SANDS CENTRE DEVELOPMENT</u>	65 - 78
	(Copy Report RD.10/22 herewith)	
A.2(iii)	<u>INTERNAL AUDIT REPORT - COUNCIL TAX</u>	79 - 94
	(Copy Report RD.11/22 herewith)	
A.2(iv)	<u>INTERNAL AUDIT REPORT – RECYCLING (PERFORMANCE INFORMATION)</u>	95 - 110
	(Copy Report RD.21/22 herewith)	
A.2(v)	<u>INTERNAL AUDIT REPORT – DEVELOPMENT MANAGEMENT (COMPLAINTS)</u>	111 - 124
	(Copy Report RD.13/22 herewith)	
A.2(vi)	<u>INTERNAL AUDIT REPORT - FUTURE HIGH STREET FUND</u>	125 - 142
	(Copy Report RD.14/22 herewith)	

A.2(vii)	<u>INTERNAL AUDIT REPORT - CREDITORS</u>	143 - 160
	(Copy Report RD.15/22 herewith)	
A.2(viii)	<u>INTERNAL AUDIT REPORT - MAIN ACCOUNTING SYSTEM</u>	161 - 176
	(Copy Report RD.16/22 herewith)	
A.2(ix)	<u>INTERNAL AUDIT REPORT - PROCUREMENT (COUNTER-FRAUD)</u>	177 - 194
	(Copy Report RD.17/22 herewith)	
A.3	<u>INTERNAL AUDIT ANNUAL REPORT 2021/22</u>	195 - 206
	The Corporate Director of Finance and Resources to submit a summary of the outcomes of the work undertaken by Internal Audit for Carlisle City Council in 2021/22 and includes the Designated Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) (Copy Report RD.22/22 herewith)	
A.4	<u>INTERNAL AUDIT COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDITING STANDARDS (SELF ASSESSMENT)</u>	207 - 254
	The Corporate Director of Finance and Resources to submit a report introducing Internal Audit's self-assessment of compliance with Public Sector Auditing Standards for 2021/22. (Copy Report RD.25/22 herewith)	
A.5	<u>HOUSING BENEFIT SUBSIDY 2020/21</u>	255 - 260
	The Corporate Director of Finance and Resources to submit details of the completed audit of the Housing Benefit Subsidy claim for 2020/21 undertaken by Mazars. (Copy report RD.27/22 herewith)	
A.6	<u>TREASURY MANAGEMENT OUTTURN 2021/22</u>	261 - 282
	The Corporate Director of Finance and Resources to submit a report providing the Treasury Management Outturn for 2021/22. The matter was considered by the Executive on 27 May 2022 and the People Panel on 9 June 2022. (Copy Report RD.05/22 and Minute Excerpts herewith).	

A.7 TECHNICAL UPDATE AND CONSULTATIONS

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The Corporate Director of Finance and Resources to submit an update on technical issues and consultations on financial and auditing subjects.
(Copy Report RD.21/22 herewith)

PART B

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

B.1 INTERNAL AUDIT REPORT - ICT RECOMMENDATIONS

**** This report is not for publication by virtue of Paragraph 3 of Schedule 12A to the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)****

The Corporate Director of Finance and Resources to submit a report which considers the follow-up review of ICT recommendations and supplements the report considered as part of the Internal Audit Progress Report 2021/22.
(Copy Report RD.19/22 herewith)

B.2 INTERNAL AUDIT REPORT - CYBER SECURITY

**** This report is not for publication by virtue of Paragraph 3 of Schedule 12A to the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). ****

The Corporate Director of Finance and Resources to submit a report which considers the review of Cyber Security and supplements the report considered as part of the Internal Audit Progress Report 2021/22.
(Copy Report RD.20/22 herewith)

Members of the Audit Committee

Conservative - Mrs Finlayson, Lishman, Mrs Mitchell, Collier (sub) McKerrell, (sub), Shepherd (sub)

Labour – Birks, Patrick, Alcroft (sub), Dr Tickner (sub)

Independent and Liberal Democrat - Bomford, Pickstone (sub)

Independent - Betton

Enquiries, requests for reports, background papers etc to:
democraticservices@carlisle.gov.uk

Carlisle City Council audit plan

Year ending 31 March 2022

Carlisle City Council
June 2022



Contents



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

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Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Key matters

Factors

Council developments

We have continued to hold regular meetings with the senior finance team at the Council. During these meetings we discuss a range of key issues regarding the Council's general developments, current and projected financial performance and emerging financial reporting issues. On 3 February 2022 CIPFA LASAAC launched a consultation on proposals for an update of the 2021-22 Code, relating to the approach to measurement of operational property, plant and equipment. The Council has responded to this consultation, which closed on 3 March 2022. CIPFA LASAAC published their preliminary decision on 17 March:

- not progress the proposals around the pausing formal valuation of assets; and
- to pursue the proposal on deferring IFRS 16, but note that this is the Board's preliminary decision, subject to the other steps in the governance process.

FRAB agreed with the deferral of IFRS 16 to 2024/25 but advised that the Code must also allow for early adoption from 1 April 2022 or 1 April 2023. CIPFA are considering how the provisions for early adoption in 2022/23 or 2023/24 may be reflected in the relevant editions of the Code.

Response and Recovery from Covid 19 pandemic

The Covid-19 pandemic continued to have a significant impact on the normal operations of the Council. During 2021-22 the Council has been focused on response and recovery. It has had to work differently at all levels to be able to deliver all of its required services effectively. The Council has continued to receive Covid related grant funding from the government.

Local Government Re-organisation in Cumbria

Local Government Re-organisation (LGR) will take place in Cumbria on 1 April 2023. Cumbria County Council, and the 6 Cumbrian district councils will be replaced by two unitary councils. These two unitary councils will take on responsibility for the services currently delivered by Cumbria County Council and the district councils.

Practice Note 10 confirms that, in most public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist. This is the case for the Council, as services will continue to be delivered by the public sector after 1 April 2023.

The Council is contributing to the structures, which have been set up to deliver LGR. These include the Cumbria Leaders Oversight Forum, the Chief Executives Programme Board and the Workstream/Programme Boards. Internally, the Council has introduced structures to ensure it can deliver LGR, whilst maintaining 'business as usual' statutory core services. County wide £19 million has been set aside for the transition, of which the Council has contributed circa £1.6 million, with the vast majority of this to be spent on outside strategic partner consultants and recharges for officers time spent on LGR related workstreams.

The LGR agenda is progressing at pace, with the Structural Changes Order, which will formally create the two Council's now laid before parliament and the first Joint Committee meeting was held on 29 March 2022. The elections to shadow authorities have taken place in May 2022, ahead of vesting day on 1 April 2023. It is widely acknowledged that, the transformation will continue for a significant period after this date.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the S151 Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- Where any actions have been agreed in respect of matters identified through previous audit work, either on the financial statements or in respect of work on arrangements to secure VFM, the planning report should include reference to consideration of progress against previously agreed recommendations.
- We will continue to provide you with sector updates via our Audit Committee updates
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control and revenue recognition.
- We will review the accounting treatment for Covid-19 funding for compliance with the code and applicable financial reporting standards.
- We will review the accounting treatment for the County wide LGR implementation reserve and associated income and expenditure for compliance with the code and applicable financial reporting standards.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Carlisle City Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Carlisle City Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls;
- Valuation of land, buildings and investment properties;
- Fraud in expenditure recognition; and
- Valuation of the pension fund net liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.224m (PY £1.179m) for the Council, which equates to 1.9% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.061m (PY £0.059m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weaknesses.

Audit logistics

Our interim visit took place in March 2022 and our final visit will take place in July through to September/October 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit is £69,733 (PY: £66,733) for the Council, subject to the Council delivering a good set of financial statements and working papers available at the start of the audit.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the Council's financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending in delivering services and this could potentially place management under pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the normal course of business as a significant risk for the Council, which was one of the most significant assessed risks for the Council.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Fraud in revenue and expenditure recognition (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In addition, Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>These presumptions can be rebutted if the auditor concludes that there is no risk of material due to fraud relating to revenue and expenditure recognition.</p> <p>We have rebutted these presumed risks.</p>	<p>Having considered the risk factors set out in ISA (UK) 240 and Public Audit Forum Practice Note 10 and the nature of the revenue and expenditure streams at the Council, we have determined the risk of fraud arising from improper recognition can be rebutted due to:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue or expenditure recognition; • opportunities to manipulate revenue and expenditure recognition is limited; and • the culture and ethical frameworks of local authorities, including Carlisle City Council mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Carlisle City Council.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability (£52.532 million), represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Cumbria Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
Valuation of land, buildings and investment properties	<p>The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 requires the revaluation of land and buildings should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Investment Property carried at fair value should be revalued at each year end.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to the changes in key assumptions.</p> <p>We therefore identified the valuation of land, buildings and investment property as a significant risk, which is one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test a sample of valuations at 31 March 2022 to understand the information and assumptions used in arriving at any revised valuations. • test revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year-end.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified three recommendations in our 2020/21 audit in relation to the Council's estimation process for valuation of land and buildings.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- valuations of land and buildings, council dwellings and investment properties;
- depreciation;
- year end provisions and accruals;
- credit loss and impairment allowances;
- valuation of defined benefit net pension fund liabilities;
- fair value estimates; and
- valuation of level 2 and level 3 investments.

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- what the assumptions and uncertainties are;
- how sensitive the assets and liabilities are to those assumptions, and why;
- the expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- an explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have as a separate exercise to the audit plan that will be presented at Audit Committee. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.224million (PY £1.179m) for the Council, which equates to 1.9% of your gross expenditure for the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.010million for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

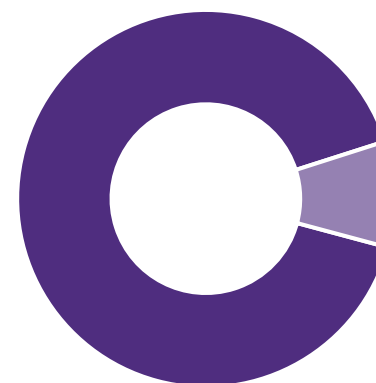
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.061m (PY £0.059m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Prior year gross operating costs

£64.412m
(PY: £64.412m)



■ Prior year gross operating costs

Materiality

£1.224m
Council financial statements materiality
(PY: £1.179m)



£0.061m
Misstatements reported to the Audit Committee
(PY: £0.059m)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

We do not intend to rely on the operation of application controls whether automated / IT dependent and therefore we have carried our streamlined ITGC assessment on the IT systems that support the financial reporting. This is to gain an understanding of the design of these systems.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica Financials	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Audit logistics and team



Gareth Kelly, Key Audit Partner

Gareth will lead the engagement. He will direct the audit team, attend Audit and Assurance committees and be your first point of contact for any issue in relation to the audit process. He will be responsible for issuing our opinion on your financial statements.

Georgina Philp, Audit Manager

Georgina will be responsible for the management of the audit. She will supervise and co-ordinate the team and ensure our audit work is delivered to the agreed timetable. Georgina will meet regularly with the finance team to discuss audit issues

Hamza Mulla, Audit Incharge

Hamza will be responsible for the day to day delivery of our audit fieldwork. He will work with your finance team to ensure an efficient and quality audit is achieved.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2017, PSAA awarded a contract of audit for Carlisle City Council to begin with effect from 2018/19. The fee agreed in the contract was £41,033. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 10 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Due to the emerging financial reporting issue in relation to infrastructure assets, as detailed on page 5, this will require more audit time to respond to this issue. Our estimate is that for your audit, this will result in an increased fee of £2,500, which is line with other district audits. Our proposed work and fee for 2021/22, as set out below and is subject to agreement with the Corporate Director of Finance and Resources.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Carlisle City Council Audit	£80,122	£66,733	£69,733
Total audit fees (excluding VAT)	£80,122	£66,733	£69,733

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

Commencing 1 November 2016, Grant Thornton UK LLP entered into a short-term tenancy lease for a small portion of the 7th floor of the Civic Centre, Carlisle. We have considered the ethical standards and any potential threats to our independence resulting from this arrangement. However, the nature of the lease arrangement between the Council and Grant Thornton UK LLP, and the sums involved, are clearly insignificant to either party.

We also disclose that an employee of Grant Thornton has a family member who works within the Revenue and Benefits team within the Council. We have considered the real and perceived risk of our independence and this has been mitigated by the following safeguard. This Grant Thornton employee will have no involvement with this audit.

We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

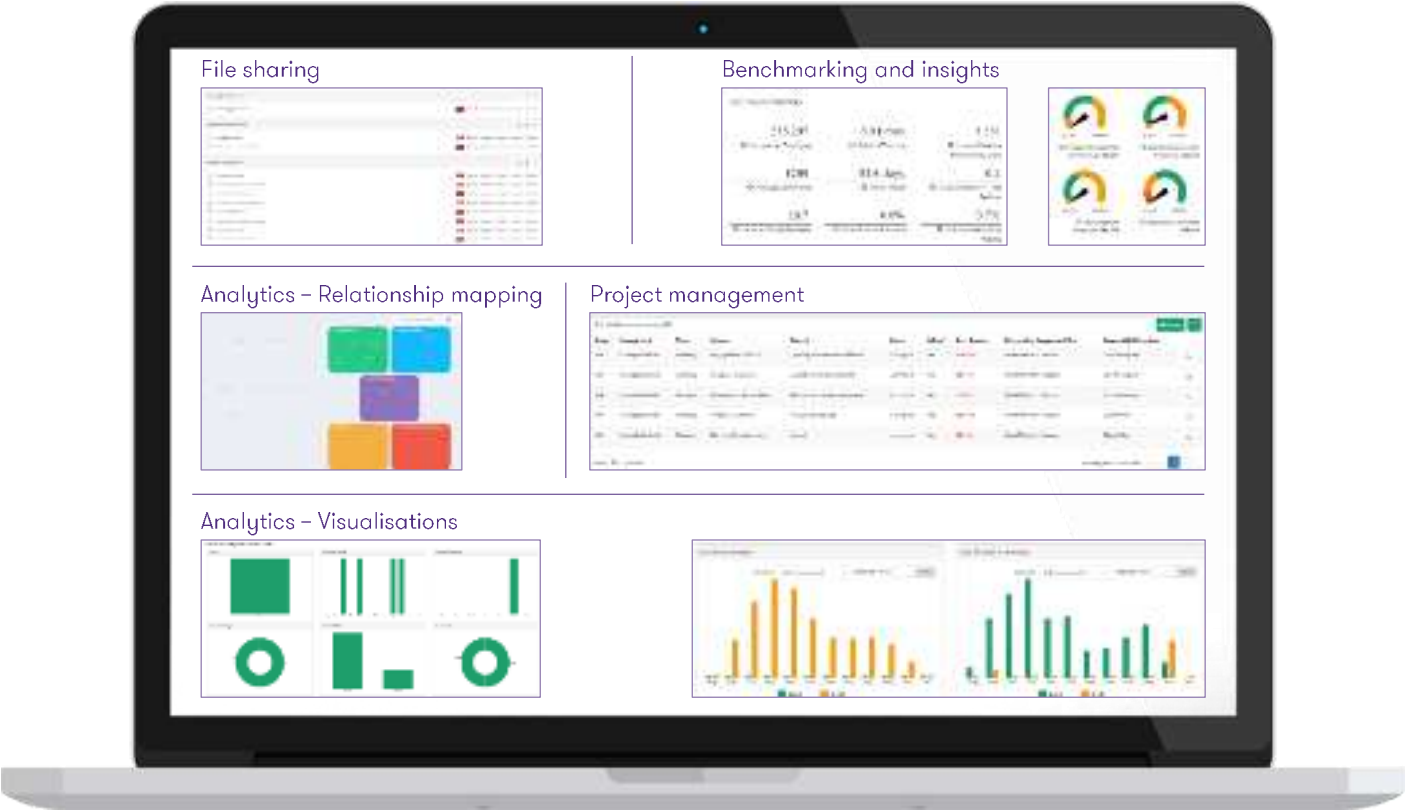
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
	None		
Non-audit related			
CFO Insights Licence	5,000	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £69,232 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton’s Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in three recommendations being reported in our 2020/21 Audit Findings Report. The progress of these recommendation is outlined in the table below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
To be reviewed as part of the 2021-22 audit	Valuation Quality Assurance Process A small number of valuations included in investment properties required amending to include the impact of up to date information. Ensure the data sent to the valuer is complete and there is a quality assurance process in place for the Council once the valuations have been received.	A quality review of the asset register information held by both finance and property services was undertaken in 2021/22 to ensure information sent to the valuer was correct and up to date. A quality review process of the information received back has also been undertaken.
To be reviewed as part of the 2021-22 audit in progress	Lease Information We identified on lease in respect of Durranshill Industrial Estate was missed therefore investment properties were undervalued. Ensure all leases are complete and provided to the valuer in full for valuation purposes.	A review process has been undertaken to ensure that the correct lease information has been provided to the valuers.
To be reviewed as part of the 2021-22 audit	Heritage Asset valuation Heritage assets are valued using insurance valuation, however the last valuation was carried out in 2014. Ensure assets are valued in line with a five year programme.	The valuations of the fine arts element of the Tullie House collection was completed for insurance purposes in 2021/22 and the revised valuations will be reflected in 2021/22 accounts. This element made up over 80% of the overall value and comprised of nearly 5000 items. Further valuations of other elements of the collection are being undertaken in 2022/23.



Grant Thornton

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Carlisle City Council

Report to Audit Committee

Item
A.2

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance & Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	INTERNAL AUDIT PROGRESS (APRIL TO JUNE)
Report of:	CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number:	RD.09/22

Purpose / Summary:

This report provides an overview of the work carried out by internal audit since the previous Audit Committee (17 March 2022) covering the end of the 2021/22 financial year and initial progress on the 2022/23 Internal Audit plan.

Recommendations:

The Committee is requested to

- i) note the progress against the audit plan for 2021/22
- ii) note the progress against the audit plan for 2022/23
- iii) note the progress made on audit recommendations to date outlined in Appendix B

Tracking

Executive:	8 July 2022
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. Management is responsible for establishing effective systems of governance, risk management and internal controls. It is the responsibility of management to establish appropriate arrangements to confirm that their systems are working effectively, that all information within them is accurate and that they are free from fraud or error.
- 1.2. Internal Audit's role is to provide independent assurance to senior management and the Audit Committee over the adequacy and effectiveness of management's arrangements for governance, risk management and internal control.
- 1.3. This report summarises the work carried out by Internal Audit in the period April 2022 to June 2022 in respect of both the 2021/22 and 2022/23 Audit Plans.

2. 2021/22

- 2.1 The final outcomes against the audit plan, including performance indicators are recorded in the Internal Audit Annual Report (RD22/22).
- 2.2 13 planned pieces of work were completed in the period.

Review Area	Assurance Level
Sands Centre Redevelopment	Reasonable
Council Tax	Reasonable
Recycling (Performance Information)	Reasonable
Development Control (Complaints procedure)	Reasonable
Future High Street Fund	Reasonable
Creditors	Reasonable
Main Accounting System & Budget Monitoring	Reasonable
Procurement review (Counter Fraud)	Reasonable
National Fraud Initiative	N/A (See below)
Business Continuity & Emergency Planning (Consultancy)	N/A (See below)
Property Income	Partial
Cyber-Security (Part B)	Partial
ICT Recommendations (Part B)	Partial

- 2.3 Where an audit report has been issued, these are considered as separate reports elsewhere on the agenda.

2.4 Work on the National Fraud Initiative was completed in the period and a summary was provided to the Corporate Director of Finance and Resources. Of the investigations undertaken one error was identified (a duplicate payment totalling £1.3K, which has since been recovered) and no fraudulent activity.

2.5 Matches have not been reviewed within Revenues & Benefits due to resource pressures within both the in-house team (Council Tax matches) and the Department of Work & Pensions fraud team (Housing Benefits). Internal Audit will continue to liaise with the service to monitor progress during 2022/23.

2.6 Consultancy work undertaken to review the Council's Business Continuity Plan and associated Critical Response Service Recovery Plans was finalised and a summary of work undertaken was issued to the Deputy Chief Executive. No further work is anticipated in this area for 2022/23. Improvements were made to the format and content of the plans as a result of the exercise.

2.7 Discussions with the Head of Property Services identified it would be difficult to accommodate a planned audit of Building Maintenance due to the vacancies within the team and an outdated system. While management believe appropriate maintenance checks are in place, the issues stated mean it would be difficult to provide suitable assurances controls are fully operational, therefore limiting the added value an audit review would provide. Internal Audit have noted these potential control concerns (which are considered as part of their annual opinion) and will maintain discourse with the team on progress.

2.8 Audit resource was also utilised in the period on the following:

- Confidential fraud investigation (ongoing)
- Audit advice to Revenues and Benefits in relation to implementing controls in relation to the Council Tax rebates following issue of government guidance
- Attendance at LGR workshops relating to Internal Audit service provision.

3. 2022/23

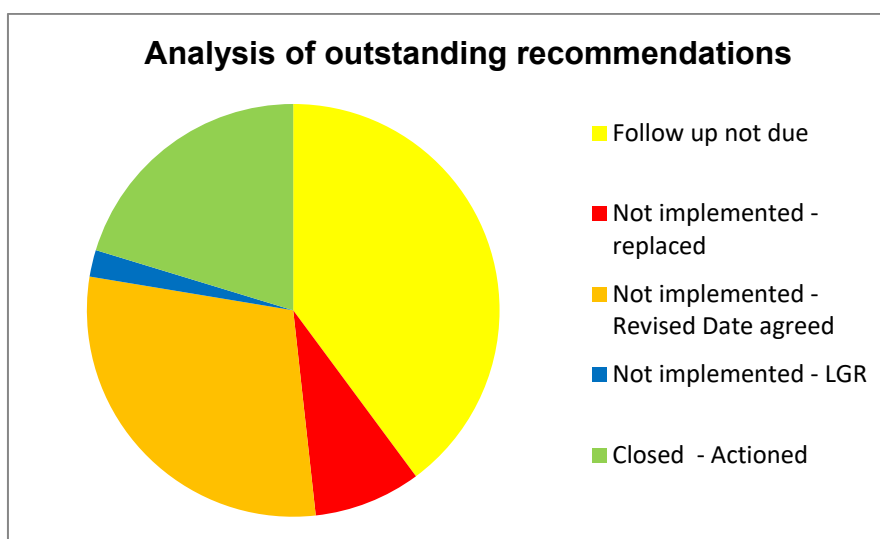
3.1 Work has also commenced on the Internal Audit Plan for 2022/23 and is summarised at Appendix 1.

3.2 The only finalised piece of work at the time of reporting relates to the completion of self-assessment control questionnaires for main financial systems not audited in 2021/22. These provide assurances to Senior Managers and support the annual audit opinion and annual governance statement. No concerns have been identified in the responses received.

3.3 Actual time incurred will be added to the Appendix as part of subsequent reports, following completion of the annual refresh of Internal Audit's system and processes.

4. AUDIT RECOMMENDATIONS

- 4.1 Appendix B shows a summary position of outstanding audit recommendations and progress made against implementing these. Once the agreed implementation date has passed, internal audit ask the responsible officer for an update of progress. The responses are reported to the next available Audit Committee meeting and, if implemented, are removed from the list so that only outstanding recommendations remain. Where the recommendations relate to a partial assurance audit, these will be subject to a formal follow up and will be reported back to Audit Committee separately. New recommendations will be added to the list once final reports are agreed
- 4.2 29 recommendations out of 86 followed up were found to have been fully implemented (10 in line with original agreed timescales) and are now closed. 3 recommendations will not be completed prior to the implementation of Local Government Re-organisation and will be transferred to a separate schedule, to be considered by Internal Audit as part of transitory arrangements.



- 4.3 Concerns about the engagement of officers in implementing agreed actions was raised at the previous Audit Committee and it was agreed the Audit Committee “ask the Senior Management Team to take robust action to address the low level of implementation of audit recommendations and provide a report to the next meeting of the Committee setting out progress made”.

- 4.4 Internal Audit provided a list of outstanding recommendations to the Senior Management Team in May 2022 who then wrote to responsible managers asking them to engage with Internal Audit. An update was reported to Senior Management in June 2022 and further actions have been taken where responses have not been provided.
- 4.5 Engagement by officers has increased in the period, but there are still instances where Internal Audit have received no feedback and completion of actions could still improve. Internal Audit will continue to work closely with both responsible managers and the Senior Management Team.

5. Risks

- 5.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

6. Consultation

- 6.1 Not applicable

7. Conclusion and reasons for recommendations

- 7.1 The Committee is requested to

- iv) note the progress against the audit plan for 2021/22
- v) note the progress against the audit plan for 2022/23
- vi) note the progress made on audit recommendations to date outlined in Appendix B

8. Contribution to the Carlisle Plan Priorities

- 8.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- Appendix A – Progress against audit plan 2022/23
- Appendix B – Progress against agreed audit actions

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider a summary of internal audit activity and summaries of specific internal audit reports. This report fulfils that requirement.

Property Services -None

Finance -Contained within the report

Equality -None

Information Governance- None

CARLISLE CITY COUNCIL
PROGRESS AGAINST REVISED AUDIT PLAN 2022/23

Service Area	Review Type	Audit Area	Plan	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services	MFS	Internal Control Questionnaires - Non Audited Systems	2	Final	July 22	N/A	
Council-Wide	Governance	Corporate Governance Controls	5	Testing			
Health & Well-Being	Directorate	Bereavement Services	20	Testing			
Neighbourhood Services	Directorate	Fleet Management (inc Strategy)	20	Testing			
Human Resources	Follow-Up	Absence Management	5	Draft			
Council-Wide	Corporate	Risk Management	15				
ICT Services	Directorate	ICT Service Provision	20				
Regeneration	Directorate	Town Deal - Business Assurance Framework	20				
Regulatory Services	Directorate	Sustainable Warmth Grant	10				
Property Services	Directorate	Management Agencies (Contract Management)	20				
Financial Services	MFS	Financial Services Governance Arrangements	5				
Financial Services	MFS	Car Parking Income	20				
Revenues and Benefits	MFS	National Non Domestic Rates	20				
Financial Services	MFS	Treasury Management	15				
Neighbourhood Services	Follow-Up	Neighbourhood Services (Culture)	5				
Council-Wide	Counter-Fraud	Annual fraud review	5				

Service Area	Review Type	Audit Area	Plan	Status	Audit Committee	Assurance Evaluation	Comments
Council-Wide	MFS	Good Governance Principles / Local Code of Conduct	5				
		Follow-up contingency	30				
		Counter Fraud Contingency	20				
		Advice & Guidance Contingency	10				
		LGR Contingency	25				
		Audit Committee	20				
		Planning & Management	48				
		OVERALL TOTAL	404				

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Due	Status
A1802	Smarter Service Delivery (Reasonable)	A process should be developed to archive and/or delete personal information held within both Salesforce and My Account, in line with suitable retention periods.	M	Council in possession of unnecessary personal information. Risk of breaching data protection legislation. Risk of fines and sanctions.	Scheduled deletion and disposal report tool is currently being configured. MyAccount specific privacy policy is being introduced with appropriate retention schedules applied.	Customer Services Manager	31 August 2018	30 September 2022 (Review date)	8	Y	Implementation of this recommendation has been continuously delayed due to ongoing resource shortages within ICT Services. An assessment of risk exposure has been carried out and given the limited extent of personal information found to be retained it has been deemed unnecessary to utilise additional third party resource. However, there is still a need to cleanse data prior to LGR and an in-house deletion tool is being developed by ICT Services.
F1804	Council Tax (Reasonable)	Appraisals should be undertaken with all officers and the appraisal documents should be completed timely and processed in line with the Council's processes.	M	Failure to achieve Service objectives due to training needs not identified.	Team Leader appraisal notes to be formally agreed. Team Appraisal to be completed in the Revenues Section.	Revenues & Benefits Operations Manager	31st March 2019	31 January 2020	7	Y	Latest audit review of Council Tax indicated appraisals not undertaken for full team. However, this recommendation has been superseded by an overarching recommendation for timely completion of appraisals (See Corporate Internal Controls). Closed as replaced.
F1804	Council Tax (Reasonable)	The GDPR legislation needs to be complied with and data records deleted appropriately.	H	Failure to comply with legislation resulting in financial penalties	Records to be reviewed, data deletion remains subject to appropriate software functionality	Revenues & Benefits Operations Manager	30 th September 2019	31 March 2021	7	Y	Latest audit review of Council tax indicated tool has not been tested and applied to date. New recommendation made. Closed as replaced.
E1802	Homelessness Services (Substantial)	The Council should obtain clarity on their responsibility for data processed by the Choice-Based Lettings project	M	Unclear responsibilities for protection of personal information.	Meeting of CBL Executive arranged to approve data breach policy.	Homelessness Services Manager.	31 January 2019	31 March 2022	8	Y	Joint controller and information sharing agreed. Closed as completed.
B1804	Casual, Interim & Agency (Reasonable)	The review form should be completed for all agency workers who exceed the 12-week agency rule.	M	Incorrect practice not identified and rectified and could lead to sanctions and reputational damage to the Council.	Form developed, and process will be updated to ensure compliance. Current Agency agreement with Adecco finished 31st January 2019.	HR Manager	31 March 2019	31 July 2021	6	Y	Working group meeting held in June 2022 to review and refresh historic actions. Agreed to ensure any new long-term agency appointments will be made using the OSA form to ensure appropriate approval following input from HR and Finance, which will ensure HR are aware of any appointments expected to be over 12 weeks. Process to identify any short-term appointments to be developed. To review implementation next quarter.
B1804	Casual, Interim & Agency (Reasonable)	A process should be developed to ensure HR are aware of all new agency, casual and intermediary staff to ensure relevant employment checks and processes can be performed	M	There is a risk of reputational damage to the Council due to a failure to manage the contract appropriately	A new process will be implemented to ensure that the recommendations are met.	HR Manager	30 April 2019	30 September 2022 (review)	6	Y	Working group meeting held in June 2022 to review and refresh historic actions. Agreed to ensure any new long-term agency appointments will be made using the OSA form to ensure appropriate approval following input from HR and Finance, which will ensure HR are aware of appointments and ensure relevant checks are performed. HR and Neighbourhood Services to ensure relevant checks undertaken by contracted agency for short-term appointments. Review implementation next quarter.
B1804	Casual, Interim & Agency (Reasonable)	A process to cover the administration of agency, casual and intermediary staff should be completed and approved, including ensuring all posts are approved and that use is monitored on an ongoing basis.	H	If procedures and processes are not clearly documented there is a risk that service objectives are not achieved as officers may be unsure of their roles and responsibilities. There is also a risk that this may result in sanctions, litigation and reputational damage to the Council, in addition to the additional financial burden of unapproved staff in post	Existing council policies will be reviewed and amended, as necessary, to include all classes or workers and employees.	HR Manager	30 April 2019	30 September 2022 (review)	6	Y	Working group meeting held in June 2022 to review and refresh historic actions. Agreed to ensure any new long-term agency appointments will be made using the OSA form to ensure appropriate approval following input from HR and Finance. Short-term agency appointments to cover absences (particularly within Neighbourhood Services) to be managed through regular budget meetings) To review implementation next quarter.

A1801	Information Governance (Reasonable)	Recommendation 9 – Further work is required to ensure the Council stores and disposes of records in line with what is stated in its retention schedules, including particular work required from an ICT perspective.	M	Council retains unnecessary information	The Council's ICT systems will be reviewed to enable and support the deletion of electronic data. A review of the retention schedules and disposal logs will be added to the Information Governance Inspection Checklist.	ICT Services Manager/ Information Governance Manager	02 August 2019	30 September 2022 (review)	3	Y	Progress ongoing: ICT are pursuing decision via Officer Decision Notice to enable deletion of archived e-mails. Further work is ongoing to improve records management through the Riskal Office 365 project and a proposed Kickstart programme. IG manager now in post - further work required to determine records management priorities to March 2023.
A1801	Information Governance (Reasonable)	Recommendation 14 – The Council's Home-working guidance and self-assessment should be updated to reflect GDPR requirements	M	Data breach due to insecure working practices as part of home-working.	The Council's Home-working guidance and self-assessment will be updated to reflect GDPR requirements and re-issued for completion and sign off by managers of staff who work from home	Information Governance Manager / HR Manager	21 June 2019	31 March 2022	6	Y	Agile working guidance issued to all staff following consultation exercise with key stakeholders (including Internal Audit). Closed.
A1903	Information Security (N/A - Memo)	R1. - A joint ICT and Information Governance document detailing planned and ongoing action to implement Information Security improvements should be created and managed.	M	Required improvement actions are not adequately recorded and managed resulting in reduced efficiency and inability to achieve the desired outcome.	A joint ICT and Information Governance Action Plan detailing planned and ongoing action to implement Information Security improvements will be created and managed.	Lead ICT Officer Infrastructure Management/ Information Governance Manager	31-Aug-21	30 September 2022 (review)	3	Y	Significant work has been undertaken to address issues with information security since the employment of the Head of Digital and Technology, and specific actions are intended in the future within future projects. Vacancies within both services has delayed activity. IG manager now in post - further work required to determine records management priorities to March 2023.
A1903	Information Security (N/A - Memo)	R2. - The development and implementation of an Information Asset register should be included within a joint ICT and Information Governance action plan.	M	Information assets are not adequately identified or recorded.	Development of a corporate Information Asset Register will be added to the joint ICT and Information Governance action plan and will take into consideration existing lists of assets and information processing, with the potential to link them together.	Information Governance Manager	31-Aug-20	31 March 2022 (review)	3	Y	As above
A1903	Information Security (N/A - Memo)	R3. – Corporate risks relating to Information Governance and Information Security should be formally identified, recorded, assessed and managed.	M	Exposure to unidentified/uncontrolled risks.	A review of existing risks and identification of other potential risks will be undertaken to ensure the Council's risk exposure is accurate and up to date.	ICT Lead Officer Infrastructure/ Information Governance Manager	31-Aug-21	31 March 2022 (review)	3	Y	As above
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 4 - All existing agreements (including Loomis if necessary) should be reviewed to ensure that they cover the service provided / received, reflect the correct charges and are signed by an authorised signatory from both parties.	M	There is a risk of reputational damage to the Council if an agreement / contract is not in place.	Agreements will be reviewed/set up.	Team Manager (Parking & Enforcement)	30-Apr-20	31 March 2022	4	Y	Current agreements all extended to 31 March 2023. Closed.
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 8 - A full review should be completed and brought up to date including setting up a Traders Licence and agreement.	M	There is a risk of reputational damage to the Council if a license / agreement / contract is not in place.	A car park strategy is currently being developed in partnership with Councillors to support our Local economy, some projects in place including Free after 3. Current activity will be looked at and actioned following Legal advice.	Team Manager (Parking & Enforcement)	31-Mar-20	31 March 2022	4	Y	No premises currently operating from car parks, so further activity necessary. Closed.
D1905	Tourist Information Services (Reasonable)	Recommendation 4 - Formal agreements, including data processing agreements should be set up with all third parties that the service processes personal information for. A copy of each third party's privacy notice should be provided and retained.	M	Non-compliance with GDPR legislation resulting in service user details being shared without permission.	Formal agreements, including data processing agreements will be set up with all third parties.	Destination Manager	03 February 2020	31 January 2021	5	Y	Agreements in place with privacy statements published on forms. Closed.
D1905	Tourist Information Services (Reasonable)	Recommendation 11 - The relevant fees and charges schedule should be reviewed as part of the next budget process to ensure it accurately reflects all rates and charges.	M	Failure to obtain value for money for services provided	All fees and charges are now included in the financial process.	Destination Manager	01 October 2019	31 March 2022	5	Y	Relevant update not included as part of latest fees and charges reporting cycle (2022/23). Review of risk exposure indicates update necessary and amendment to be reported to Executive. No response to follow up request.
D2002	City Centre (Reasonable)	Recommendation 4: A privacy notice should be completed to cover the city centre management, including pavement café licenses, promotions and events. Application forms should also be updated to include the relevant privacy information.	M	Non-compliance with GDPR legislation. Failure to control records management.	Destination Manager to prepare a privacy notice for the service.	Destination Manager	29-Jan-21	30 August 2021	4	Y	Privacy statement now prepared and published on City Council website. Privacy information now included on application forms. No response to follow up request. Closed
D2002	City Centre (Reasonable)	Recommendation 7: Delegated authority / responsibility for issuing pavement café licences should be included in the relevant Scheme of Delegation.	M	Pavement café licences may be granted / rejected without proper authorisation which may lead to reputational damage to the Council.	Health and Wellbeing Services Manager to include pavement café licences in the relevant Scheme of Delegation.	Health and Wellbeing Services Manager	29-Jan-21	30 August 2021	4	Y	No response to follow up request.

D2002	City Centre (Reasonable)	Recommendation 8: Approvals / rejections for promotion and event applications should be documented within the minutes of the relevant Event Risk Management Group to ensure that there is a clear audit trail of decisions made.	M	Promotions and events may be approved / rejected without proper authorisation which may lead to reputational damage to the Council.	Approvals / rejections for promotion and event applications will be documented within the minutes of the relevant Event Risk Management Group.	Health and Wellbeing Project Manager	12-Jan-21	30 August 2021	4	Y	Minutes provided decisions formally recorded. Close.
G2005	Payroll (Reasonable)	Recommendation 1 – Review of staff procedure notes, and wider suite of policies, guidance documents and forms on the intranet to ensure alignment to financial regulations, clarity for new members of staff, and regular update.	M	Service cannot wholly demonstrate that they have interpreted and applied the financial regulations that relate to payroll. / New staff are unclear on how to run payroll at short notice. / Key forms and documents are not current.	Ensure that there are clear procedure and guidance documents for payroll staff, that align to financial regulations. Ensure that documents and forms are updated on the intranet and dated so that all staff know they are using/viewing the most update version.	HR Manager /Payroll & i-Trent Supervisor	31-Mar-22	30 September 2022	2	Y	Review started and anticipated to be completed by end of July 2022.
G2005	Payroll (Reasonable)	Recommendation 2 – Review the critical service recovery arrangements to ensure that there are fully tested and documented planning arrangements in place for all key scenarios, that can be actioned at short notice.	M	Payroll unable to be run. Comprehensive planning not in place for alternative arrangements.	Review the critical service recovery arrangements and agree on a plan and ensure it is documented.	Deputy TC & CE /HR Manager /Payroll & i-Trent Supervisor	31-Dec-21	20 September 2022	2	Y	Relevant discussions and updates not taken place.
G2005	Payroll (Reasonable)	Recommendation 3 – A consistent approach should be adopted to verify that all activities on both payroll checklists are completed.	M	Key processes have not been completed in line with documented procedures and Management are unaware.	Payroll Processing Checklists are initial and dated appropriately.	i-Trent & Payroll Supervisor/ Payroll Officer	01/04/21 - Done		2	Y	Consistent approach confirmed. Closed.
G2005	Payroll (Reasonable)	Recommendation 4 – Payroll operational risks to be reviewed on a quarterly basis in line with the risk management framework and include the key risk that staff may be absent at short notice.	M	Risks escalate out of control and management are unaware.	Operational risks to be regularly reviewed and updated in line with the risk management framework. / Operational risks to include the key risk that staff may be absent at short notice.	HR Manager /Payroll & i-Trent Supervisor	31-Dec-21		2	Y	Risk register review confirmed as up to date. Closed.
G2005	Payroll (Reasonable)	Recommendation 5 – Contracts to be put in place for the provision of payroll services to all Community centres.	M	Terms of the arrangement are unclear and subject to challenge. / Contracts not signed or dated could be subject to legal challenge.	Chase completion of payroll contract with Currock Community Centre which can then be signed off by Legal Services.	Payroll & i-Trent Supervisor / Legal Services (Legal Trainee)	30-Sep-21		2	Y	Contracts in place. Closed.
G2005	Payroll (Reasonable)	Recommendation 6 – Personal data to be retained and disposed of for the Authority and Community Centres in line with the corporate records management policy.	M	Carlisle City Council may not comply with UK GDPR and could be subject to legal challenge.	To dispose of payroll filing in line with retention and disposal rules. Ensuring that the disposal log is updated correctly.	HR Manager / Payroll & i-Trent Supervisor	31/03/22 (depending on Covid 19 & access to the office)	30 September 2022	2	Y	Disposal has now started and disposal log is being completed.
G2005	Payroll (Reasonable)	Recommendation 7 – Management to keep a record of the availability of software releases and document the reasons if i-Trent is not updated with a release.	M	Reasons for not updating i-Trent available software releases not fully transparent.	To create and keep an update a log of i-Trent system updates.	HR Payroll & i-Trent Supervisor Manager/ Lead ICT Officer	30-Jun-21	30 September 2022	2	Y	Review begun, but further work necessary.
I2002	Driver Checks (Follow Up_ Reasonable)	Recommendation 1 – The approved Drivers Handbook should be printed and circulated to relevant Line Managers & Elected Members and added to the City Council E-library.	M	Officers driving on Council business without appropriate licence and / or insurance	The Handbook for Drivers will be available electronically for officers / managers and elected members with access to the intranet. Printed copies will be available for drivers without intranet access and a copy will be placed in each fleet vehicle, including pool cars. This is being further enhanced through the development of a Skillgate module to monitor awareness and improve compliance.	Fleet and Depot Manager	15-May-21	31 July 2022	2	Y	Driver handbook approved and available online and within fleet vehicle. Skillgate module nearing completion.
I2002	Driver Checks (Follow Up_ Reasonable)	Recommendation 4 – A process should be in place to ensure all staff driving a pool car and hire car have an appropriate licence in place	H	Officers driving on Council business without appropriate licence and/or insurance	Access to the third-party licence checking bureau granted to SST so checks of pool vehicle users can be carried out. Drivers of hire vehicles have their licences checked routinely by Fleet. If drivers are not on the database, both parties will request confirmation from the driver's line manager that a licence check has been conducted satisfactorily	Fleet and Depot Manager in discussion with service support	01-May-21		2	Y	SST have access to license checks database and have incorporated a process to check all licences as part of hire car request. Closed.
G2006	Housing Benefits (Reasonable)	Recommendation 1 – Operational risk management arrangements to include regular consultation with wider stakeholders	M	Key stakeholders have not been consulted on operational risks.	Wider consultation to be applied to Risk Register quarterly reviews	Revenues and Benefits Operations Manager	31st October 2021		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 2 – Guidance documents to be regularly reviewed and updated with consideration given to DWP good practice.	M	Content of key documents not current or align to DWP good practice guidance.	Documentation to be reviewed in accordance with DWP circulars and relevant good practice guidance	Revenues and Benefits Operations Manager	31st December 2021		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 3 – Regular Management meetings to be clearly recorded, and conclude previous actions raised.	M	Management decision making process lacks transparency. / Staff are not kept regularly informed.	Regular management meetings to resume with actions to be captured and documented.	Revenues and Benefits Operations Manager	30th June 2021		3	Y	No response received

G2006	Housing Benefits (Reasonable)	Recommendation 4 – Staff training requirements to be regularly assessed with outcomes recorded.	M	Staff are not fully trained to carry out their role.	All staff training requirements to be captured and documented.	Revenues and Benefits Operations Manager	31st January 2022		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 5 - Collection and Recovery Policy to be finalised and published.	M	Service priorities are unclear to staff.	Documentation to be reviewed and formally approved for publication.	Recovery Team Leader	31st December 2021		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 6 – Update the current arrangements in place with the Authority's collection agent.	M	Level of service of Collection Agent is not formally agreed and falls below expectations.	Agreement to be reviewed with monitoring arrangements and information reviews to be re-instated.	Recovery Team Leader	30th September 2021		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 8 - The Systems Support Team should apply the archiving tool provided to the Academy system to ensure historic records no longer required are deleted on a timely basis.	M	Authority may not be fully compliant with UK GDPR	Archiving processes to be commenced and appropriate records removed.	Systems Support and Control Manager	31st March 2022		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 9 – Management to review access to Revenues and Benefits Office on a regular basis with the Facilities Manager.	M	Inappropriate access gained to the Revenues and Benefits Office.	Periodic access reviews to continue bi-annually and user approved reports to be retained	Revenues and Benefits Operations Manager	31st July 2021		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 10 – Management to implement the RBV policy, or review and amend the policy to align with current practice.	M	Evidence gathering processes are inefficient.	Policy to be reviewed to align with operational practice, including the monitoring of risk categories assigned.	Revenues and Benefits Operations Manager	31st October 2021		3	Y	No response received
G2006	Housing Benefits (Reasonable)	Recommendation 11 – Clear recovery targets to be set for Overpayment Recovery staff in line with DWP good practice guidance.	M	Overpayment recovery is not efficient and effective	Target performance to be determined, based on previous years collection performance.	Recovery Team Leader	31st October 2021		3	Y	No response received
G2003	Debtors (Substantial)	Recommendation 1 – To implement an Annual Review & Sign-off by Team Leader on Debtors process to provide assurances no significant changes have taken place within the service in the past year	M	Inaccurate/inefficient/inappropriate debt recovery due to failure to adhere to agreed process	Set up a reminder to review and sign off current procedure manual annually (as documented per 5.2.1).	Financial Services Manager	30-Jun-21		1	Y	Unable to confirm progress due to change in personnel. To be reviewed next quarter.
G2003	Debtors (Substantial)	Recommendation 2 – A project plan should be devised to set out how the Council intends to develop the roll-out of electronic invoicing across Council Services, including completion of a Data Protection Impact Assessment.	M	Inefficient recovery of debt / Reputational damage to council through continual late or inaccurate invoicing	Include within the ledger development planning, in liaison with ICT.	Financial Services Manager	31-Mar-22		1	Y	No longer relevant as Carlisle City Council will not be pursuing full electronic invoicing purchase due to LGR. Move to LGR Schedule
G2003	Debtors (Substantial)	Recommendation 3 – A thorough review should be undertaken of the paper files retained by the Debtors Team and ensure more electronic storage is adopted	M	Breach of data protection legislation, resulting in fines and sanctions	More use of e-records since March 2020 has taken place. Paper records will be dealt with following the return to office working.	Financial Services Manager	31-Mar-22		1	Y	Superseded by overarching recommendation made as part of Fin Services Gov arrangements review. Closed.
I2001	ICT Recommendations (N/A)	Recommendation 1 – The ICT service's record management structure should be reviewed to ensure officers have access to all relevant documentation, including those relating to contract/procurement and training records	M	Inability to refer to appropriate contractual documentation / inability to demonstrate VFM / inability to evidence accreditation / breach of data protection legislation / loss and breach of council documentation.	All contracts and procurement are now recorded in an ICT contracts register and are being reviewed as part of the 2-5 year plan for the service	Head of Digital and Technology	30-Jul-21		1	Y	Included as part of formal follow-up. Contract register and SharePoint now in place. Closed.
I2001	ICT Recommendations (N/A)	Recommendation 2 – The Data Sharing Agreements should be checked to ensure compliance with GDPR and should be signed by all parties to formalise the arrangement.	H	Failure to comply with legislation / Legal complications in the event of contractual dispute.	Information Governance Manager pursuing data protection agreements between all parties. There has been a delay on progressing due to limited engagement with partnership organisations. Progress anticipated at start of 2021/22. Once an Options Appraisal is available, the team will consider overall implications for the Partnership and obtain signed agreements where required.	Information Governance Manager / Revenues and Benefits Operation Manager	31-Dec-21		1	Y	Recommendation unlikely to be implemented due to LGR, which will result in all three Councils merging as part of the new Council. Assessment of risk presented to Senior Management (response outstanding).
I2001	ICT Recommendations (N/A)	Recommendation 3 – Cyber-security training provided should be reviewed on a regular basis to ensure it is up to date and includes relevant issues, including physical security of Council assets and (once updated) Council policies.	H	Successful cyber-attack on council's network as a result of preventable lack of awareness.	Currently identified updated NCSC cyber awareness training course and working with OD to implement through Skillgate. Working with OD to update other guidance documentation for staff so that OD can deliver through Skillgate	Workforce Development Manager & ICT Management team	30-Aug-21			Y	Formal follow up identified that up to date training included in Skillgate; however, old training module still included also, which includes out of date e-mail. New review includes recommendation to remove older training module - replaced.
I2001	ICT Recommendations (N/A)	Recommendation 5 – Provision of cyber-security training should be reviewed to ensure anomalies identified are remedied to ensure all officers with access to the Council's network are registered for all mandatory training	M	Successful cyber-attack on council's network as a result of preventable lack of awareness.	Organisation Development to investigate anomalies identified by the audit and report back findings.	Workforce Development Manager.	30-Aug-21		1	Y	Formal follow up identified that all network users have access to relevant training - closed.
I2001	ICT Recommendations (N/A)	Recommendation 7 – The full suite of ICT policies should be reviewed and updated including those policies referred to in previous audit recommendations and benchmarked against best practice to ensure policies are complete. Once complete policies should be approved by Senior Management, communicated to all officers and stored in a location accessible to all network users.	H	Lack of guidance for network users increasing risk of error, misuse, successful cyber-attacks and viruses.	Currently working on updated ICT Policy and Data backup policies that will be presented to SMT for adoption	Head of Digital and Technology	31-Oct-21			Y	No progress during period due to limited resource. Options to utilise third parties being considered to free up resource. Head of Service returns to post Spring 2022. Plans in place to review existing policies as part of Intranet upgrade. Replaced.

I2001	ICT Recommendations (N/A)	Recommendation 8 - A retrospective exercise should be undertaken to ensure individuals previously assigned mobile devices have completed a custodian form acknowledging responsibility for their allocated device	M	Users do not understand responsibility for their assigned devices.	Undertaking an internal review of devices that need a signed custodian form	ICT Helpdesk Manager	30-Sep-21			Y	Retrospective exercise not complete due to limited resource. Replaced.
I2001	ICT Recommendations (N/A)	Recommendation 9 – A Value For Money review of mobile devices should be carried out annually to identify any devices no longer required by the Council.	M	Council spending money on devices not required.	ICT will look to produce annual management reports on devices no longer used or under utilised through suppliers so that Managers can decide whether to continue with provision of that device (This has been delayed due to global pandemic causing uncertainty over device usage)	ICT Helpdesk Manager	30-Nov-21			Y	VFM exercise not yet conducted. Replaced.
I2001	ICT Recommendations (N/A)	Recommendation 10 – The Council should obtain an application locker to prevent device users from being able to download software that does not require administration rights.	M	Breaches due to malicious software installed on Council devices.	Windows 10 AppLocker will be implemented during the Version upgrade of Windows 10 planned this year. Delayed from last year due to Covid	Infrastructure Manager	01-Dec-21			Y	App Locker not in place for laptops. Replaced.
I2001	ICT Recommendations (N/A)	Recommendation 11 – Corporate risks relating to Information Governance and Information Security should be formally identified, recorded, assessed and managed.	M	Exposure to unidentified risks / uncontrolled risks.	Risk register to be regularly reviewed as per the corporate timetable. / To be considered further by the Information Governance Assurance Group.	Information Governance Manager	30-Aug-21			Y	Risk Register to be updated and reviewed. Replaced.
I2001	ICT Recommendations (N/A)	Recommendation 12 – The existing risk register should be reviewed and updated to ensure all relevant risks are documented and that suitable mitigating actions are in place to manage the risks within the Council's risk appetite. This should include segregation between embedded and planned mitigating controls	M	Failure to appropriately identify, review, mitigate and monitor relevant risks.	Risk register to be regularly reviewed as per the corporate timetable / Ongoing updates of risk register done to corporate timetable	Head of Digital and Technology	30-Aug-21			Y	Risk Register to be updated and reviewed. Replaced.
I2001	ICT Recommendations (N/A)	Recommendation 13 – ICT should ensure the latest version of application software is formally tracked. The reasons for not installing the latest version should be formally documented and signed off by senior management.	M	Latest version not installed, resulting in potential usage issues and increased risk of successful cyber attacks.	Working with new provider who will manage and install updates to the Network and firewall environment on a quarterly basis as per manufacturer recommendation	Infrastructure Manager	30-Aug-21	1		Y	Updates in place - closed.
I2001	ICT Recommendations (N/A)	Recommendation 14 – ICT should look to implement a firewall solution between the Council and Allerdale Borough Council	M	ICT Services, Systems and Data are potentially exposed to external threats. Loss of Council Services / Systems / Data should a breach occur at the partner site and spread to the Council's site. Potential breach of Data Protection legislation which could lead to financial penalties and public embarrassment	Working with new provider who will manage the network to implement firewall security between Carlisle and Allerdale	Infrastructure Manager	30-Sep-21			Y	No progress. Replaced.
I2001	ICT Recommendations (N/A)	Recommendation 15 – The Council should formalise plans for future assurances (internal and external) to be obtained for security of the network	H	Security issues unidentified and unresolved.	Long term plan is full testing of the IT Estate and currently working with the LGA on a pilot testing scheme for councils. Any issues identified as Critical or High are dealt with appropriately and all issues are recorded in an action plan. This plan will be made available to senior management, audit and data protection manager. Engagement of external providers for security monitoring is in place to provide further assurance	Head of Digital and technology	31-Dec-21			Y	No progress during period due to limited resource. Options to utilise third parties being considered to free up resource. Head of Service returns to post Spring 2022. Security checks have been undertaken, but no formalised plan in place (still ad-hoc, limiting assurances that checks ensure full coverage of network and inventory). Replaced.
F2001	Safe Recruitment (Reasonable)	Recommendation 2 - An exercise should be undertaken to define the category of medical check received for individual posts, which should be agreed with Service Managers	M	Relevant medical conditions not identified due to irrelevant examination.	Propose HR develop a risk assessment form that managers can send on to OH. AC/SN to query current new starter process with OH and determine actions following this.	HR Team	30-Apr-21	31 January 2022	3	Y	Guidance issued to OH Assessor to ensure suitable category of check followed - closed.
F2001	Safe Recruitment (Reasonable)	Recommendation 3– Employing managers should provide the information in the pre-employment medical questionnaire relating to risk exposures relevant to the role.	M	Fail to identify relevant risk exposure faced by the role.	Risk assessment for role to be attached to Post-Interview checklist (which manager completes). This can then be shared with OH when commencing new starter medical checks.	HR Team	30-Apr-21	31 January 2022	3	Y	HR process updated to identify relevant information at point of advertising - closed.
F2001	Safe Recruitment (Reasonable)	Recommendation 4 – The previous recommendation to implement a process to ensure agency and casual staff are subject to appropriate checks should a) incorporate collation of medical clearance and emergency contact details and b) be expanded to ensure the same checks are carried out for volunteers.	M	Fail to identify medical information or emergency contact details for individuals delivering services on behalf of the Council.	As of September 2020, casual staff now have a pre-employment medical assessment. / Casual onboarding documents to be updated with emergency contact details and details of medical clearance. Risk assessment will need attached as it does for all new employees (for the purpose of medical clearance). / Volunteers – need to look at current process and get a steer from DC re medical checks as previous managers have raised concerns about this deterring volunteers.	HR Team	31-Jul-21	31 December 2022	3	Y	Agency - confirmation received that Agencies hold relevant information and will provide with staff's consent where necessary. Volunteers - request for information has been added to volunteer agreement re health/underlying medical conditions. Referrals can be made to OH where relevant and on request.
F2001	Safe Recruitment (Reasonable)	Recommendation 6 – A process is required to ensure health and safety induction forms are completed by line managers and retained on file.	M	Appropriate training and guidance not provided to new starters.	Seek to identify electronic process to replace current format, allowing for more controlled monitoring of the completion process.	Safety Health & Environmental Manager	30-Jun-21	01 April 2021	3	Y	Option to deliver in Skillsgate found to be unfeasible. Induction forms to be updated to ensure forms are completed by all managers.

F2001	Safe Recruitment (Reasonable)	Recommendation 9 – A Data Protection Impact Assessment should be carried out to ensure changes to the pre-employment medical checking process continues to comply with data protection legislation.	M	Failure to comply with data protection legislation.	HR to work with Information Governance Manager to complete DPIA.	HR Adviser / Information Governance Manager	31-May-21	31 December 2021	3	Y	On review of process, management now feel there is reasonable opportunity and avenues for new employers to highlight any health issues or reasonable adjustments they may require. This responsibility on employees is emphasised in the new Attendance Management Policy. Closed.
F2001	Safe Recruitment (Reasonable)	Recommendation 10 – An exercise should be taken to ensure emergency contact information is retained in iTrent for all employees and members.	M	Unable to contact emergency contacts.	Reminder emails go out to all staff to remind them to update their personal information and emergency contact details. Also suggest a skill gate declaration that they have updated their own and emergency contact details in iTrent (which all staff can do via self-service).	HR Advisers	30-Apr-21	31 December 2021	3	Y	All information for officers now stored in iTrent and dedicated SharePoint established for Members. Closed.
F2001	Safe Recruitment (Reasonable)	Recommendation 11 – the form for recruiting casual employees should be amended to request emergency contact details.	M	Unable to contact emergency contacts.	Update casual new starter form with section on emergency contact details.	HR team	31-Mar-21	31 December 2021	3	Y	Form Updated. Closed.
C2002	Major Funding Streams - Ec Dev (Reasonable)	Recommendation 3 – Review PMO continuation of service arrangements.	M	Project administration process delays.	Formal consideration of robust contingency arrangements for PMO, to include: Shared project management software training across PMO	Corporate Director (Economic Development)	31-Jul-21	31 March 2022	1	Y	Payroll updated Casual form to include emergency contact details. Closed
D2001	Community Centres (Reasonable)	Recommendation 2 - To develop a training program to provide updated Trustee training for elected members and appointees who have roles on the various Charitable Trust Boards	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres	Contact APSE to arrange Trustee training for elected members and appointees who have roles on Charitable Trust Boards.	Healthy City Team Manager	30/12/21	30 September 2022	2	Y	Contact made with Organisational Development, but more time required to enable training to be devised and delivered.
D2001	Community Centres (Reasonable)	Recommendation 3 - To seek documented internal professional advice on legislative and regulative requirements to establish the most robust agreements for the management of these Community Centres	H	Unclear funding arrangements, and reputational risk to The Authority	Contact legal service for documented advice on the legislative and regulative requirements of Community Centre funding agreements for 2022/23 financial year.	Healthy City Team Manager	30/01/22	30 September 2022	2	Y	Healthy City team have approached Legal Services for advice and are working on draft guidance.
D2001	Community Centres (Reasonable)	Recommendation 4 – Reinstate Annual Agreements with Community Centres	H	Unclear funding arrangements, and reputational risk to The Authority	Reinstate annual agreements.	Healthy City Team Manager	01/04/22	30 September 2022	2	Y	Agreement with organisations for signing.
D2001	Community Centres (Reasonable)	Recommendation 6 – To Introduce a High Level Operational Quarterly Risk Register update and monitoring review	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres /Reputational Risk to The Authority	Introduce a high level operational quarterly risk register.	Healthy City Team Manager	30/12/21	30 September 2022	2	Y	Review of relevant risk register indicates no review since May 2021.
D2001	Community Centres (Reasonable)	Recommendation 7 – To ensure that updated lease agreements are put into place with appropriate maintenance and improvement criteria clauses incorporated.	M	Risk of Council Assets not being utilised and managed in an appropriate manner as set out in the SLA and funding arrangements	Work with the property team to ensure that update lease agreements are in place. /Implement monitoring of lease to under lease expiry dates.	Property Services Manager	01/04/22	01 July 2022	2	Y	Tasked to Property Services who have indicated leases unlikely to be in place until Summer 2022.
D2001	Community Centres (Reasonable)	Recommendation 8 – To develop appropriate performance indicators for Community Centres with outcomes and monitoring reviews communicated	M	Third sector organisations do not achieve best value for The Authority	Review outcomes and monitoring reviews and implement appropriate measures that are in line with the service plan./Explore viability of aligning outcome monitoring to social determinates and health inequalities.	Healthy City Team Manager	01/04/22	30 September 2022	2	Y	Included in new service guidance and part of new draft funding agreements (R4)
H2101	Third Party Grant Payments VFM (Reasonable)	Recommendation 2 – Seek documented advice on legislative and regulative requirements.	M	Third sector funding not managed to the required standard.	Legal advice sought to be documented in service guidance	Healthy City Team Manager	30/11/21	30 September 2022	2	Y	Draft documents include legal advice with organisations for signing.
H2101	Third Party Grant Payments VFM (Reasonable)	Recommendation 3 – Reinstate annual agreements with third sector organisations.	M	Third sector organisations unclear on the best value standards to be achieved.	New grant funding agreements being drafted by Legal to be signed by all third sector organisations	Healthy City Team Manager	30/09/21	30 September 2022	2	Y	Draft documents with organisations for signing.
H2101	Third Party Grant Payments VFM (Reasonable)	Recommendation 6 – Regular monitoring of third sector organisation performance.	M	Third sector organisation does not meet the required performance standards and management unaware.	Performance of grant agreements to be monitored on a quarterly basis.	Healthy City Team Manager	09/07/21	30 September 2022	2	Y	To be incorporated after allocation of monies on a quarterly basis.
H2101	Third Party Grant Payments VFM (Reasonable)	Recommendation 7 - Suitable and proportionate annual financial checks to be undertaken.	M	Organisation becomes insolvent following Authority funding.	Finance team to undertake proportionate check before issuing of grant agreements.	Healthy City Team Manager	30/10/21	31 March 2022	2	Y	Included in new service guidance and review undertaken as part of new funding agreements. Closed.
A2102	Environmental Strategy (Reasonable)	Recommendation 1 – Prioritise LECCS actions with a significant planned carbon reduction impact on reaching the net zero target.	M	LECCS action plan is not efficient and effective.	Review action plan to clearly identify actions that have a significant planned carbon reduction impact on reaching the net zero target.	Policy and Communications Manager	01 December 2021		1	Y	Review complete - closed.

A2102	Environmental Strategy (Reasonable)	Recommendation 2 – Put an arrangement in place to pre-approve strategic and key decision alignment to net zero carbon emissions.	M	Wider strategic and key decisions not aligned to LECCS.	Confirm which decisions are in scope, define how they should be aligned to LECCS and ensure they are pre-approved for alignment, prior to governance group approval.	Corporate Director, Policy and Communications Manager	01 December 2021		1	Y	Approach agreed and written guidance in place to confirm. Closed.
A2102	Environmental Strategy (Reasonable)	Recommendation 3 – Further clarify with ZCCP how the Council's actions align to wider partnership programme of action.	M	Lack of clarity on Council's role in wider partnership.	Clarify with ZCCP how the Council's actions align to wider partnership actions in meeting the net zero target. The ZCCP Manager will be attending the Health & Wellbeing Scrutiny Panel in October, the Council's role will be made clear in the report to the Panel.	Policy and Communications Manager	01 November 2021		1	Y	Clarification provided as part of presentation to Scrutiny Panel. Closed.
A2102	Environmental Strategy (Reasonable)	Recommendation 4 – Management to pre-approve SMART criteria for LECCS actions.	M	Likelihood of successful actions without SMART criteria is significantly reduced.	Following review of action plan (Rec 1), significant actions will be pre-approved by management for SMART criteria.	Policy and Communications Manager	01 December 2021	30 September 2022	1	Y	Review ongoing.
A2102	Environmental Strategy (Reasonable)	Recommendation 5 – LECCS action plan to further demonstrate consistency with the targets set and the resources available.	M	Carbon reduction impact is not sufficient to meet net zero target and resources are not available.	Review LECCS to ensure there is: · a clear link between the carbon reduction impact of significant Council actions and the ability to meet the net zero target. · a broad cost estimate of all significant actions required to meet the net zero target.	Policy and Communications Manager	01 December 2021	31 March 2023	1	Y	Action will become responsibility of new authority. Move to LGR schedule.
A2102	Environmental Strategy (Reasonable)	Recommendation 6 – Further develop regular reporting on actual carbon reduction impact.	M	Successful actions do not have the desired carbon reduction impact.	Quarterly performance report will be produced for Executive and Scrutiny, detailing the current total consumption of major contributors to meeting net zero target (diesel, petrol, gas, electricity and offset carbon emissions), under the format that is agreed following the review of the action plan (Rec. 1).	Policy and Communications Manager	01 December 2021	31 March 2023	1	Y	Action will become responsibility of new authority. Move to LGR schedule.
A2102	Environmental Strategy (Reasonable)	Recommendation 7 - Set a timetable for completion of communication and engagement planning.	M	Loss of Council reputation and partner engagement.	Finalise communication and planning alongside a new action plan (Rec. 1).	Policy and Communications Manager	01 January 2022	30 September 2022	1	Y	Communication of activities is ongoing. Engagement planning will start now that all Pandemic restrictions are lifted with the Place Standard Coordinator.
E2102	DFGs (Reasonable)	Recommendation 1 – Review and update Housing and Pollution Team grant procedures for digital delivery.	M	Reduced level of direction on how management wish officers to administer grants.	Review and update the staff guidance to demonstrate for each type of grant, a clear link between: · eligibility criteria to be met · evidence that will be accepted for each of the eligibility criteria · items on the electronic check list. Detail in staff guidance, what supervisory checks have been undertaken for each grant application to determine they are complete and eligibility criteria has been met.	Principal Health and Housing Officer	01 March 2022		1	Y	Policy updated - closed.
E2102	DFGs (Reasonable)	Recommendation 2 – Put an arrangement in place to demonstrate that 15% of Housing and Pollution Team grant applications are consistently sample checked.	M	Management unable to identify grants that are not administered to a satisfactory level.	Explore how to create an electronic audit record with system operator, to demonstrate which grants have had a supervisor review. If this is not possible, ensure that another arrangement is put in place to demonstrate which grants were selected for a supervisory check.	Principal Health and Housing Officer	01 April 2022		1	Y	Supervisor review now included as part of electronic form - closed.
E2102	DFGs (Reasonable)	Recommendation 3 – Review and update the Home Improvement Agency grant procedures.	M	Reduced level of direction on how management wish officers to administer grants.	Review and update the staff guidance to demonstrate for each type of grant, a clear link between: · eligibility criteria to be met · evidence that will be accepted for each of the eligibility criteria · items on the paper file (check list). Detail in staff guidance, what supervisory checks have been undertaken for each grant application to determine they are complete and eligibility criteria has been met.	Home Improvement Agency Team Leader	01 December 2021		1	Y	Updated procedure prepared and in place - closed.
M2002	Partnership VFM (Reasonable)	Recommendation 2 – Once an approved strategy with agreed shared objectives and priorities has been established a framework for measuring progress against objectives should be designed and monitored by the Partnership on a regular basis, using a combination of narrative and quantitative measures	M	Failure to ensure suitable progress being made to achieve priorities.	Options to be discussed as part of preparation of Strategy, including potential Task and Finish Group and further consultation with Internal Audit.	Partnership Manager	31 June 2021		3	Y	Actions identified to achieve partnership objectives now monitored on a regular basis using RAG monitoring process. Task and finish group work to identify KPI ongoing.
M2002	Partnership VFM (Reasonable)	Recommendation 3 – Once the Partnership's strategy has been agreed the risk register should be reviewed to ensure it includes all risks relevant to the achievement of agreed shared objectives.	M	Emergence of unexpected and unmitigated risks.	Task and finish group to be established to review existing register and then become regular agenda item at a future meeting	Partnership Manager	30-Jun-21		3	Y	Latest minutes identified responsibility for risk register needs to be established.
M2002	Partnership VFM (Reasonable)	Recommendation 4 – The register should be owned, assessed, monitored and updated collectively by the full Partnership Executive on a regular basis.	M	Failure of Partnership to take joint responsibility of achievement of shared objectives.	Register currently reviewed by Partnership on a quarterly basis. Identify a co-chair who can support / lead on risk and assist with regular checks / updates.	Partnership Manager	30-Jun-21		3	Y	Latest minutes identified responsibility for risk register needs to be established.

M2002	Partnership VFM (Reasonable)	Recommendation 5 – The Partnership should determine its current priorities and review the level of resource and activity required from all partners to achieve these in a suitably controlled, risk managed manner.	M	Failure to achieve objectives due to a lack of resource	To be discussed with Partnership Executive in terms of both resourcing development of a strategy and delivery of the strategy going forward.	Deputy Chief Executive	31-Mar-21		3	Y	Priorities reviewed and in place. Additional resources acquired for some project work. Closed.
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Recommendation evidenced as actioned (Closed)
Recommendations evidenced as part actioned and replaced by new recommendation (Closed)
Recommendation no longer relevant due to change in circumstances (Closed)
Rec will not be implemented by Carlisle City Council. #Move to schedule o recommendations to be considered during transition.
Formal Audit follow up scheduled
Management Statement scheduled to request evidence of implementation
Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
Follow up scheduled for recommendation previously identified as unactioned
Recommendation reviewed and not confirmed as actioned (no response/revised timescales have passed)



Carlisle City Council

Report to Audit Committee

Item
A.2(i)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Property Income
Report of:	Corporate Director Finance & Resources
Report Number:	RD.18/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Property Income

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. An audit of Property Income was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides partial assurances and includes 2 high and 8 medium-graded recommendations.

2. Risks

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Property Income – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Property Income

Draft Report Issued: 10th August 2021
Director Draft Issued: 6th June 2022
Final Report Issued: 24th June 2022



Audit Report Distribution

Client Lead:	Property Services Manager
Chief Officer:	Corporate Director of Governance and Regulatory Services Chief Executive
Others:	Head of Financial Services
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Property Income. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2 Property Services are responsible for managing the City Council's extensive property portfolio. Property Services agree the levels of rent to be paid by our tenants and Financial Services collect the rental income. The Asset Management Plan - 2022 to 2027 details that rental income from Council investment assets is circa £4.143 million with a total capital value of £89.379 million.
- 1.3 External Managing agents provide specialist assistance for roughly half of Authority commercial leases, with the others managed in-house. The Council is the freehold owner of The Lanes Shopping Centre and generates an income from the head lease (minority interest).
- 1.4 All rent collection apart from the Market Hall is undertaken inhouse by Accountancy Services. Carlisle market stall holders are sub tenants of the Council and occupy units by way of a lease from the Council, completed by the Council's legal team on instruction from the managing agents.
- 1.5 Other notable commercially leased assets include Industrial Estates such as Kingstown, Parkhouse and Durranhill and the Asda supermarket at Parkhouse.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Property Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Failure to achieve business objectives due to insufficient governance
 - Loss or breach of information/ fines and sanctions/ reputational damage due to failure to securely process, retain, share, and dispose of records and information

- Rental income is not maximised, due to poor financial and debt management arrangements
- Terms of commercial lease agreements are not regularly monitored for compliance, including rent renewals and reviews
- Leaseholder financial difficulty and void properties have not been managed effectively, including arrangements put in place to minimise the impact of coronavirus

2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within property services provide **partial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	1
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	1	2
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	2
4. Security - safeguarding of assets (see section 5.4)	1	1
5. Value – effectiveness and efficiency of operations and programmes (see section 5.5)	-	1
Total Number of Recommendations	2	7

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

Findings Summary (good practice / areas for improvement):

Key information relating to the Council's commercial leases is held in the Property Asset Database (PAD). The Property Services service plan 2021-22 details a business change project to replace PAD with an integrated system, with an expected outcome to improve the efficiency of the property team. It has been agreed that the new Cumberland authority will manage its property assets through an integrated system known as Concerto. Data capture has commenced with implementation scheduled for 1 April 2023.

A review and update of the documented arrangements in place for management agents is required to ensure up to date agreements are in place, including adherence to the Council's financial regulations, with it also following that value for money and regulatory requirements are appropriately considered.

Reconciliations between property source data and financial systems data require further development to provide regular assurance over the accuracy and integrity of information held in each system.

The review identified the Council has not been recovering the cost of insurance premiums incurred from lease-holders where stipulated within the lease agreement. Regular documented review and confirmation is necessary to ensure insurance premiums paid by the Council are collected where relevant. Work is also required to ensure back-dated costs are calculated and attempts are made to recover lost monies.

A property services staff restructure is in the final stages of planning and awaiting authorisation to proceed. All job descriptions linked to the current structure have been reviewed within the last five years. Formal consideration of continuation of service arrangements will increase the likelihood of achieving future service objectives.

A service plan for Property Services is in place for 2021/22 with a key objective relating to property income.

The Property Service operational risk register is regularly reviewed and signed off on a quarterly basis by the Property Services Manager, in line with the Risk Management Framework. Review and update of the operational risks and wider management involvement will further enhance the service risk management process already in place.

Regular financial monitoring updates are provided to management for commercially leased property income. Backdated rent review payments can sometimes significantly offset shortfalls in other areas.

A substantial amount of Data Protection and online Safety and Cyber Awareness training has been undertaken by Property Services staff, and liaison with Organisational Development will confirm if any refresher training is advised.

A data retention and disposal log are in place for Property Services. Further review and regular update will align personal data handling with UK General Data Protection Regulation (UK GDPR).

Collation of key lease data and documents for Carlisle Market hall leaseholders will align with wider best practice followed for other lease groups, should the sub-lease not be surrendered in a reasonable timescale.

Review and update of service guidance and the introduction of robust document management arrangements will help ensure continued alignment to current best practice.

The recording and circulation of actions assigned, outcomes and key decisions taken at planned management meetings will further increase transparency and accountability.

Regular, documented management review of access rights to PAD will further enhance the security arrangements already in place.

Historic team appraisals have been held in the past and consideration of annual individual appraisals will help to increase focus on personal performance and training requirements.

Management seek and follow best practice guidance for dealing with leaseholders in financial difficulty, including the MHCLG Code of Practice for commercial property relationships during the COVID-19 pandemic (updated 6 April 2021). The team have also achieved significant success with the low level of arrears currently held.

Comment from the Corporate Director of Governance and Regulatory Services:

The Report is accepted and the recommendations will be implemented as set out. The partial assurance is disappointing as the grading was previously based on a high priority being ascribed to recommendation 5. This was based on a lack of understanding of the systems and when this was resolved the recommendation was correctly re-graded medium. Unexpectedly, recommendation 2 was then upgraded to 'high' thus maintaining the partial assurance. In relation to recommendation 2, the reasons for the use of a single provider are readily available as they should be and that is the real thrust of the issue identified by the recommendation. The agreed action of publishing an officer decision notice, whilst good practice, is not legally required unless the award of the relevant contract "materially affects [the Council's] financial position" which it does not. The lack of an ODN is not sufficient to fulfil the definition of a partial assurance namely "that there is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified." Nor do the two high graded recommendations cover wide ranging aspects of the control environment.

Nonetheless, whilst there are concerns with the level of assurance given, all of the recommendations are helpful and agreed as stated within the body of the report.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A property services staff restructure is in the final stages of planning and awaiting authorisation to proceed. All job descriptions linked to the current structure have been reviewed within the last five years. It is advised that following implementation, formal consideration is given to continuation of service arrangements in the event of key staff absence at short notice.
- 5.1.2** A service plan for Property Services is in place for 2021/22 and includes the following objective relevant to property income: 'To deliver the objectives of the approved business plan for management of Kingstown & Parkhouse property assets.'
- 5.1.3** Operational risk management arrangements consider the risks of not achieving the stated service objectives. Without wider coverage in service objectives of the work undertaken, wider operational risks may not be fully considered.
- 5.1.4** The Property Service's operational risk register is regularly reviewed and signed off on a quarterly basis by the Property Services Manager, in line with the Risk Management Framework. There are a significant number of risks detailed in the register (nineteen), and two are relevant to property income. Although mitigating actions are documented for these risks, further work is required to ensure that they are operating as stated.

Management indicated that they are planning a full review of the operational risk register. For the register to work as a key control document for the service, it is recommended that consideration is given to the following:

- Alignment of operational risks to wider services objectives detailed in the service plan
- Reducing the number of risks to a manageable level, including only those that will have a major impact on delivery of service objectives
- Wider involvement of the management team in the risk management process, including assignment of individual risks
- Ensuring there is a clear link between successful operation of mitigating actions and reduction in risk
- Seeking regular assurance through provision of documented evidence from assignees, that all mitigating actions are operating effectively.

Recommendation 1 – Review and update the operational risks and regularly involve wider management in the risk process.

5.1.5 Regular financial monitoring updates are provided to management for commercially leased property income, including explanations for budget variances. Annual rental income for each asset is budgeted on a single financial code and actual income may include income not budgeted for, such as back dated rent following rent review. For example, annual rental for Kingstown in month 12, 2020/21 is budgeted at £1.6M, and total income calculated as due including backdated rent following rent review is £2.3M. The £700k surplus due to backdated rental, significantly offsets annual rental income shortfalls in other areas.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 Roughly half of commercial leases at the Authority are managed in-house, although Managing Agents are also employed to carry out specific tasks for certain property groups. Two of the contractual arrangements in place with agents have not been reviewed for some time. Without current arrangements in place, there is increased difficulty in assessing best value for services provided and ensuring adherence to both regulatory requirements and the Council's financial regulations.

5.2.2 A contract for management of stall-holders leases at Carlisle Market (held jointly with the tenant) expired in December 2011. The contract is valued at approximately £20K per annum; therefore the expenditure since contract expiry has exceeded the Council's contract procedure rules for an open tender exercise (£70k). It is noted that the nature of the joint arrangement has made it more complicated to update contractual arrangements and that plans are in place to refresh agreements as part of the Towns Deal project.

5.2.3 Another agent frequently used by the Council last had fees reviewed in 2013. While the agent is appointed on a case-by-case basis expenditure levels since the last fee review has exceeded the Council's contract procedure rules for an open tender exercise (£70K). It is noted that the agent has extensive knowledge of the associated processes and there are advantages of continuing to retain their service; however, to ensure transparency and adherence to contract procedure rules an officer decision notice should be published detailing the reasons for the deviation.

5.2.4 Without undertaking either timely procurement exercises in line with the Council's financial regulations or demonstrating the reasons for any deviation through publicising an officer decision notice significantly increases the Council's exposure to risks that value for money is not achieved and leaves the Council open to challenge from competitors over unfair practices.

- 5.2.5** The absence of up to date contractual agreements with organisations the Council procure significant services from limits assurances providers are adhering to appropriate regulatory requirements and the Council is unable to rely on contractual mechanisms in the event of a dispute with the provider.

Recommendation 2 – Ensure appropriate and current documented contractual arrangements are in place for all management agents that adhere to the Council's financial regulations.

- 5.2.6** A substantial amount of Data Protection and online Safety and Cyber Awareness training has been undertaken by Property Services staff. Some training was completed in 2018 and liaison with Organisational Development will confirm if any refresher training is advised.
- 5.2.7** A data retention and disposal log are in place for Property Services, although it requires further review and update to help ensure that all personal data processed is managed in line with UK GDPR. Historic paper records held on the 8th floor of the Civic Centre should be reviewed as part of that process.
- 5.2.8** The Property Services privacy notice on the Council's internet page states that the personal information collected relates to, 'vehicle details, registered keeper details of vehicle including name and address'. Review post-audit identified the correct page has now been published.

Recommendation 3 – Data retention and disposal schedules to be reviewed, updated and regularly maintained.

- 5.2.9** Property services hold key lease data and retain scanned copies of key documents in PAD and/or local server (Atkins file), although stall holder leases at Market Hall are a notable exception. Options for acquiring the head-lease at Market Hall are currently being explored by management.
- 5.2.10** If the head-lease arrangement is not acquired in a reasonable timescale, it is recommended that key lease data and scanned copies of all key documents for Market Hall are collated and held in Property Services, in line with other property groups.

Recommendation 4 – Key lease data and documents to be retained for all commercial leases

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** PAD details all key information held on individual leased properties. Financial Services maintain a separate record of income received, which is reconciled to anticipated income based on information provided via standard memorandums issued by Legal Services for all new rental agreements and rent reviews.
- 5.3.2** .There is currently no reconciliation between Financial Services Information and PAD. . The absence of a generic asset key between systems increases the difficulty in undertaking the reconciliations.
- 5.3.3** Annual rent due for new leases or following rent review is notified to relevant departments through a standard memorandum. There is a risk that the memorandum may not be sent, or may not be received and acted upon, further supporting the need for regular reconciliations between both systems. Additionally, some lease agreements do not attract rent reviews and have been a long-standing arrangement; a reconciliation between PAD and financial records is required to the rent collected under these arrangements remains accurate.

Recommendation 5 – Regular reconciliation between PAD, its source data and key financial systems.

- 5.3.4** Service guidance is in place for several key tasks, although there are some notable exceptions such as void property management and maintenance of PAD. At the time of writing, there are 33 void properties noted in PAD although 26 of those relate to leased units at the Enterprise Centre. Development of service guidance for the efficient, effective and timely management of void properties is recommended to assist in benchmarking current performance.
- 5.3.5** Commercial leases detail the requirement to carry out periodic rent reviews. Current service guidance for rent reviews and new lettings requires a detailed checklist of activities to be signed off and dated. The checklists are not completed in practice and service guidance requires review and update to reflect current practice.
- 5.3.6** The introduction of robust document management arrangements will help to ensure service guidance remains current for all key tasks. Management may wish to consider recording the following for each document:

- Author
- Date review carried out
- Date next review is due
- Version/ revision history

Recommendation 6 – Review and update service guidance and introduce robust document management arrangements.

5.4 Security – Safeguarding of Assets

5.4.1 Responsibility for insuring Authority owned commercial property is detailed in the lease and the cost falls either to the landlord (Carlisle City Council) or the leaseholder. A regular check is undertaken between Property Services and Insurance to ensure all relevant properties owned by the Council are included on the annual insurance renewal.

5.4.2 In 2019, the Council identified a lease-holder was liable for insurance premiums paid for by the Council over the period of the lease (7 years), meaning the Council should have been re-charging the lease-holder. This has been raised with the lease-holder as a debt, but is in dispute.

5.4.3 It has since emerged a number of other agreements have this contractual condition and that the Council should have also been recharging more leaseholders for insurance premiums. The full extent of missed charges needs to be determined, but is delayed until a suitable methodology has been agreed in relation to the aforementioned dispute. This issue could go back several years.

Recommendation 7 – An exercise needs to be undertaken to identify and attempt to recover insurance premiums that should have been recharged to lease-holders, as well as introducing a process that ensures appropriate arrangements in place for insurance, including recovery of premiums from lease-holders where stipulated.

5.4.4 To further improve the arrangements already in place for the management of access rights to PAD, it is recommended that management authorisation for staff access is recorded and retained, and access to system is subject to regular documented management review.

Recommendation 8 – Regular documented management review of staff access to PAD.

5.5 Value – effectiveness and efficiency of operations and programmes

- 5.5.1** Appraisals give individuals, teams and their manager an opportunity to review performance, agree future objectives and to determine learning and development requirements which will help to achieve those objectives. Historical team appraisals have been undertaken, although the last draft appraisal notes available were dated October 2018. There is no set timescale laid down by the Authority, although annual appraisals are considered best practice.
- 5.5.2** Individual appraisals focus attention on personal performance, needs, actions and behaviours which may not be captured in team appraisals. For this reason, it is advised that management consider holding regular individual appraisals. Internal Audit are planning to work with Organisational Development to ensure appropriate action is taken corporately to ensure appraisals are both complete and timely.
- 5.5.3** Institute of Chartered Surveyors (RICS) requires members to undertake a minimum of 20 hours CPD each calendar year. Of the 20 hours, at least 10 must be formal CPD with the remainder informal. It also advises that organisations are actively involved in the training of employees to ensure they remain competent. It is recommended that all staff learning and development requirements, including those aligned to professional CPD where relevant, are formally considered on a regular basis; management may wish to determine those requirements as part of the wider individual appraisal process.

Recommendation 9 – Staff learning and development requirements to be regularly reviewed.

- 5.5.4** The Asset Management Plan 2021-26 details that, ‘The UK economy is currently experiencing a period of severe contraction due to the Covid-19 pandemic. Short term income will inevitably be reduced and tenants will vacate despite the significant assistance provided by Central Government.’
- 5.5.5** At the time of writing (July 2021) only 3 commercial leases are noted in PAD as having interim arrangements in place due to financial difficulty, although further interim arrangements have been put in place between the Lanes shopping centre leaseholder and individual sub-leased commercial units. It is advised that management continue to seek and follow best practice guidance, including the MHCLG Code of Practice for commercial property relationships during the COVID-19 pandemic (updated 6 April 2021).

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Review and update the operational risks and regularly involve wider management in the risk process.	M	Risks escalate out of control and management are unaware.	Risk Register to be reviewed and monitored by the Property Management Team	Property Services Manager	30 September 2022
Recommendation 2 – Ensure appropriate and current documented contractual arrangements are in place for all management agents that adhere to the Council's financial regulations	H	Unable to demonstrate value for money, potential exposure to claims of unfair procurement practices and limited legal documentation to support the Council in the event of any regulatory non-compliance or dispute with the provider.	Review of Market Hall management arrangements can only be undertaken in conjunction with the Head Lessee's. Redevelopment proposals for the asset are currently under discussion, it is anticipated that this will result in new management arrangements being implemented. However, if not, the current arrangements will be reviewed.	Property Services Manager	31 March 23
			Officer Decision Notice to be publicised detailing reasons for using single provider for remaining activity.	Property Services Manager	30 June 2022

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 – Data retention and disposal schedules to be reviewed, updated and regularly maintained.	M	Non-compliance with UK GDPR.	Process to be implemented to ensure retention and disposal schedules are regularly reviewed and updated.	Property Services Manager	30 November 22
Recommendation 4 – Key lease data and documents to be retained for all commercial leases	M	Lack of accountability for lease terms.	Lease documentation for Market Hall sub tenants to be added to PAD system.	Property Services Manager	31 August 22
Recommendation 5 – Regular reconciliation between PAD and key financial systems.	M	Risk of inaccurate billing information being used and not corrected.	Regular reconciliation to be carried out between property asset database and key financial systems/ monitoring.	Property Services Manager	31 March 23
Recommendation 6 – Review and update service guidance and introduce robust document management arrangements.	M	Staff unclear on management requirements for key activities.	Service guidance will be updated as part of the Concerto implementation given that our operating model will change.	Property Services Manager	31 March 23

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 7 - An exercise needs to be undertaken to identify and attempt to recover insurance premiums that should have been recharged to lease-holders, as well as introducing a process that ensures appropriate arrangements in place for insurance, including recovery of premiums from lease-holders where stipulated.	H	Council fails to collect monies due, resulting in significant costs (value for money concern)	Leases to be reviewed to ensure insurance rent is being collected from tenants where applicable. Insurance rent to be collected from commencement of lease and annually thereafter with annual reconciliation and update exercise between Property and Finance to agree annual premiums. to ensure all insurance rents are being collected (Financial Services will provide appropriate premium breakdown based on annual renewal).	Property Services Manager /Head of Financial Services	31 March 2023
Recommendation 8 – Regular documented management review of staff access to PAD.	M	Loss or unauthorised circulation of sensitive data and management unaware.	Annual review of user access implemented in March 22	Property Services Manager	31 March 2022
Recommendation 9 – Staff learning and development requirements to be regularly reviewed.	M	Staff do not have the necessary skills to carry out key tasks.	The Council has implemented a system of individual appraisals and this has been rolled out across the Property team.	Property Services Manager	01 January 2022

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(ii)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Sands Centre Development
Report of:	Corporate Director Finance & Resources
Report Number:	RD.10/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of the Sands Centre Development.

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. An audit of the Sands Centre Development was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 3 medium-graded recommendations.

2. Risks

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Sands Centre Development – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Sands Centre Redevelopment

Draft Report Issued: 22nd April 2022
Director Draft Issued: 6th May 2022
Final Report Issued: 9th May 2022



Audit Report Distribution

Client Lead:	Client-side Project Manager
Chief Officer:	Deputy Chief Executive Chief Executive
Others:	Head of Financial Services
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Sands Centre Redevelopment. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. The replacement of Carlisle City Council's James Street Pools and the development of the Sands Centre site to improve wet and dry side sporting provision has been a long-term aspiration for the Council.
- 1.3. In 2013 the Council had adopted the Sports Facilities' Strategy 2013 – 2025 which had been based on an indoor and outdoor facilities needs assessment and set out the authority's vision for sports facility development in the district.
- 1.4. In the summer of 2017, the Council commissioned a design team to work up a Royal Institute of British Architect's (RIBA) Stage 2 outline design for the Sands Centre and an Employer's Agent was selected by competitive tender to realise the project management and design roles.
- 1.5. Council approved the scheme in March 2018, following consultation and recommendations from Executive and the Joint Scrutiny Panel. Redevelopment is scheduled to be completed by Autumn 2022.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Client-side Project Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Failure to grow and develop project governance arrangements leads to project delays and poor decision making
 - Inadequate embedding of risk management controls leads to project risk escalation
 - Planned outcomes not delivered due to insufficient focus on core project objectives

- Poor financial management leads to project cost escalation
- Project management good practice appropriate to the size and nature of the project is not followed.

2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Sands Centre Redevelopment provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	3
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (N/A)	-	-
3. Information - reliability and integrity of financial and operational information (N/A))	-	-
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (N/A)	-	-
Total Number of Recommendations	-	3

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory

comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 Findings Summary (good practice / areas for improvement):

The main construction tender offer aligns with the Sands Centre project design specification reported to Council on 25th June 2019.

Good practices for a project of this size and nature are generally in place.

A suitable role structure is in place supported by current job descriptions.

A current service plan is in place which includes an objective relating to the Sands Centre Redevelopment.

The reasons why recorded actions are not always resolved on a timely basis, requires review.

Formal acceptance of responsibilities assigned to the Project Board and wider project members will further enhance accountability.

Project risks would benefit from regular review and formal agreement by the wider Project team.

Comment from the Deputy Chief Executive:

The results of this audit review of the Sands redevelopment are welcomed and will help give the SCRIPT team members some further structure to their challenging work.

The three recommendations will all be acted on during this next period and will help give the project more transparency, assurance and clearer task and risk management.

It is pleasing to note the good practice outlined in this report and I would like thank the project team for their hard work and commitment to this corporate project.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The main construction tender offer was examined and found to align with the Sands Centre project design specification reported to Council on 25th June 2019.
- 5.1.2** A current service plan is in place which includes an objective relating to the Sands Centre Redevelopment.
- 5.1.3** The Client-side Project Manager is a member of the Property Services Team and line manages three members of staff, one of whom (Project Support Officer) assists on the Sands Centre project. Job descriptions have all been reviewed within the last 5 years although the Client-side Project Manager's job description would benefit from further alignment to the Council's project management guidance. For example, the guidance promotes an adapted version of the Association of Project Management (APM) approach, although the job description directs the Client-side Project Manager to promote the Prince2 project management approach.
- 5.1.4** The project team use an electronic action board to record assigned actions in 7 broad categories. Comments on progress are recorded in chronological order and the majority have a due date set for resolution of the action. When an action is not resolved on schedule, the due date is automatically shaded red. At the time of audit testing (April 2022), 85 out of 103 current actions were overdue.
- 5.1.5 Recommendation 1 - Review reasons for overdue actions**
- 5.1.6** A documented task list records project tasks assigned to named individuals. During audit testing, some of the assignees were found to be incorrect and some task descriptions required further clarity to fully understand the task assigned. Roles detailed in the project team terms of reference do not always fully align to those assigned in the task list. For example, a role is described in the terms of reference as advisory, although the role includes 'provision of reports' in the task list.
- 5.1.7** There is an action on the SCRIPT electronic notice board to, 'Review task list, project team and structure and terms of reference no later than three monthly intervals', although it was not possible to verify that the review is regularly carried out. Formal agreement will significantly increase the level of accountability for agreed actions and allow named individuals to clarify any concerns over assigned responsibility.

- 5.1.8** The last minutes recorded for Project Board meeting was in March 2021. It is advised that for a project of this size and nature, the recording of minutes will significantly enhance transparency and accountability of the project.

Recommendation 2 – Record acceptance of assigned responsibilities by the Project Board and wider project team members.

- 5.1.9** The Council's Risk Management Framework states that the Council's approach to project risks is contained within the Project Manager's Handbook and that such risks fall within the remit of the Transformation Board. The Project Manager's Handbook requires that risk assessment needs to be updated regularly and any significant changes to these risks or significant new risks should be communicated to the project sponsor and escalated to the Transformation Board. Regular updates on project risk escalation are provided by the Client-side Project Manager.

- 5.1.10** The Council's Risk Management Framework also requires that appropriate officers according to the type of risk will carry out risk analysis, for example a project team for a project risk. Detailed project construction risks are circulated to board members once a week. Wider project risks are regularly considered by the Client-side Project Manager, although they would benefit from regular review and formal agreement by the wider Project team.

Recommendation 3 – Project Board members to formally record regular review and agreement of the project risk register

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** The Carlisle City Council Project Manager's Handbook's stated purpose is to advise Project Managers on the project processes to be followed. The funding and reporting requirements of major projects at the Council vary considerably and it is noted that the rigid nature of the handbook guidance is not always applicable. The guidance is not mandatory and there is limited challenge on departures from the guidance through corporate oversight. The Client-side Project Manager advised that rather than the Project Manager's handbook, the APM 'body of knowledge' is used as a guide, along with the Royal Institute of Architects (RIBA) stages 1 to 7 because they are more appropriate for the size and nature of the Sands Centre Redevelopment.
- 5.2.2** Good practices for a project of this size and nature were largely found to be in place, although there were some notable exceptions such as the absence of stakeholder management arrangements, including a robust communication strategy.

- 5.2.3** To further increase future project transparency and accountability, it is advised that at the earliest opportunity, future project boards consider all relevant project management guidance (including the Project Manager's Handbook) and record agreement on project processes that are considered appropriate for that specific project. This will help to further demonstrate that the Project Board has made informed decisions and not overlooked any key processes that should be demonstrated for a project of that size and nature.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Following regular review with the Client-side Project Manager, the Employer's Agent issues authorised payment certificates confirming the cost of work carried out to date. It is advised that a proportionate documented record of the regular payment certificate review and agreement is maintained to further enhance transparency.
- 5.3.2** Payments to the main construction contractor were found to match the certificates and were appropriately authorised by the Project Sponsor.
- 5.3.3** The project team maintains a spreadsheet which tracks payments and commitments to all project contractors to date and regularly reconciles them to the general ledger.

5.4 Value – effectiveness and efficiency of operations and programmes

- 5.4.1** Appraisals give individuals, teams and their manager an opportunity to review performance, agree future objectives and to determine learning and development requirements which will help to achieve those objectives. The last team appraisal took place in October 2018. Following recent changes to the corporate appraisal process, individual appraisals are required for all staff and should be held between October and the end of January. Project Management training requirements should be reviewed and documented as part of that process.
- 5.4.2** The need to ensure regular appraisals are undertaken for all Council officers has been identified and recommended as part of a separate audit review of Corporately managed internal controls.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
1 - Review reasons for overdue actions	M	Actions not reviewed on a timely basis	Actions recorded (with agreed deadlines) using the MS Planner will be reviewed at the start of each SCRIPT meeting.	DCEO	10 th May 2022 onwards
2 – Record acceptance of assigned responsibilities by the Project Board and wider project team members.	M	Reduced accountability and transparency of individual and group performance	A review of the ‘assigned responsibilities’ will be undertaken and a record of acceptance will be made.	DCEO	24 th May 2022
3 - Project Board members to formally record regular review and agreement of the project risk register	M	Key risks escalate and Project Board members are unaware	A review of the project risks will be undertaken quarterly (or at more frequent intervals if necessary) and recorded at SCRIPT.	DCEO	24 th May 2022

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.3	Further align the Client-side Project Manager's job description to the Council's project management guidance.
5.1.8	The recording of minutes will significantly enhance transparency and accountability of the project.
5.2.3	Future project boards should consider at the earliest opportunity all relevant project management guidance (including the Project Manager's Handbook) and record agreement on project processes that are considered appropriate for that specific project.
5.3.1	<p>A proportionate documented record of the regular payment certificate review and agreement should be maintained.</p> <p>The use of cut and paste signatures should be avoided because they can be easily duplicated.</p>

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(iii)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Council Tax
Report of:	Corporate Director Finance & Resources
Report Number:	RD11/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Council Tax.

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. An audit of Council Tax was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 6 medium-graded recommendations.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Council Tax – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Council Tax

Draft Report Issued: 17th June 2022
Director Draft Issued: 17th June 2022
Final Report Issued: 27th June 2022



Audit Report Distribution

Client Lead:	Head of Revenues and Benefits Services Revenues Team Leader
Chief Officer:	Corporate Director Finance and Resources Chief Executive
Others:	
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Council Tax. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. Council tax is a tax on domestic property, introduced in 1993 by the Local Government Finance Act 1992. Each domestic property is assigned one of eight bands.
- 1.3. Carlisle City Council is a collecting authority. The Revenues service is also responsible for administration of Council Tax discounts, reductions and exemptions.
- 1.4. Non-payment of Council tax is administered through the Recovery Team, which is also part of the Revenues Service.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Head of Revenues and Benefits Services and Revenues Team Leader. The agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Failure to achieve business objectives due to insufficient governance
 - Failure to achieve business objectives due to inadequate embedding of risk management controls
 - Loss or breach of information/ finances and sanctions/ reputational damage due to failure to securely process, retain, share and dispose of records and information
 - Council tax is not billed, collected and reconciled in an accurate and timely manner
 - Recovery enforcement and write-offs are not dealt with efficiently and effectively
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Council Tax provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	2
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	1
3. Information - reliability and integrity of financial and operational information (see section 5.3)		1
4. Value – effectiveness and efficiency of operations and programmes (see section 5.4)	-	2
Total Number of Recommendations	-	6

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 Findings Summary (good practice / areas for improvement):

The workload of the revenues section has increased significantly over the last two years due to covid grants and council tax rebates, whilst adjusting to remote working. Despite the difficult circumstances, 5 new processing staff were trained in-house and consistent and above target Council Tax collection rates are reported. A very low number of complaints are received, indicating a high level of public satisfaction with the service.

Regularly and accurately documenting service risks with the wider management team will further enhance the risk management process.

A decision on publication of the draft Collection and Recovery Policy is required.

A draft agreement with the Council's debt collection agent is to be finalised.

Applying the Academy system archiving tool will help to ensure UK GDPR compliance.

Proportionate additions and updates to service guidance may be beneficial.

Introducing sample checks for eligibility criteria will confirm robust performance and reduce the likelihood of fraud and error.

A decision on Council Tax collection benchmarking is required.

Improvement to overpayment recovery reports will further demonstrate efficiency and effectiveness.

Comment from the Corporate Director Finance and Resources:

A thorough audit review which highlights the significantly increased workload of the Revenues Team over the past 2 years which continues still into 2022/23. It is pleasing to note the performance of the team has not been adversely affected by this; although it should be recognised that the increased work pressures have been particularly difficult and certainly cannot be accommodated permanently without impacting on work/life balance and the well-being of staff. It is testament to the officers and management of the Revenues Team that the service has functioned to a high level despite these increased demands.

This good performance of the Revenues Team, and specifically Council Tax, has been recognised in the report but, as usual, improvements can always be made, which can be demonstrated by the auditor recommendations. These have all been accepted by management and I am assured that they will all be implemented in line with the agreed deadlines.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A suitable team structure is in place, supported by job descriptions although several may benefit from further update. For example, the job description for Revenues Team Leader was last reviewed in April 2014. Timeliness of job description reviews was advised as part of the previous audit within the Revenues and Benefits service.
- 5.1.2** Five new Processing Officers joined the team in 2021. The Revenues Team Leader completed in-house training for all new staff in-house, whilst administering a significant number of Covid grants and in addition to normal duties.
- 5.1.3** A service plan was in place for 2021/22 with two key objectives relating to Council Tax administration. The service plan for 2022/23 is in development and it is advised that it is finalised in a timely manner.
- 5.1.4** Revenues financial monitoring is regularly reviewed with no concerns raised.
- 5.1.5** The risk register is regularly reviewed by the Revenues and Benefits Operations Manager and all fields are appropriately completed. There is a risk recorded that 'requirements relating to the local (council tax reduction) scheme may not be maintained', along with an appropriate mitigating action.
- 5.1.6** The risk register was last reviewed by the operation risk management sub-group in July 2018. A previous audit in Revenues and Benefits recommended that risk management arrangements include regular consultation with wider stakeholders. Managers have been consulted on the content of the register although this has not taken place regularly as a group.
- 5.1.7** The significantly increased workload in the Revenues and Benefits Service due to Covid grants and Council Tax rebates is not explicit in the register. For example, the risk 'If we receive Government targets or workloads increase significantly these can't be met with current resources' has a likelihood description of 'remote' indicating that the risk is unlikely. It is recommended that service risks are regularly reviewed by the wider management team and accurately reflected in the risk register.

Recommendation 1 – Wider management team to regularly and accurately document service risks.

- 5.1.8** A previous Revenues and Benefit's audit in June 2021 recommended that the Collection and Recovery Policy should be finalised and published. The draft policy sets clear objectives for staff to follow and includes links to other relevant corporate policies such as anti-poverty. The policy is yet to be published.

Recommendation 2 – Consider whether the draft Collection and Recovery Policy should be finalised and published.

- 5.1.9** A previous Revenue and Benefits audit in June 2021 recommended that the current arrangements in place with the Authority's collection agent were updated. At the time of the audit (June 2022) an updated contract was being considered for agreement. It advised that when the contract is agreed a regular arrangement is put in place to verify the collection agent's adherence to the terms.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** Electronic Council Tax information is retained within Academy. Previous audits have identified that a UK GDPR compliant archiving tool is available within Academy which will ensure historic records no longer required are deleted on a timely basis. The archiving tool remains untested and has not been implemented by the Council due to ongoing time constraints.

Recommendation 3 – Systems Support Team to apply the Academy system archiving tool.

- 5.2.2** Records retention periods for Council Tax is documented on Share Point. The document was last reviewed and updated in 2018 and it is advised that a further review of accuracy and completeness is carried out.

- 5.2.3** A Council Tax privacy statement is published on the Carlisle City Council Website.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Legislative guidance is available to staff using the IRRV council tax law and practice. Documented service guidance is also available, directing staff on legislative guidance interpretation, eligibility and evidence requirements.

5.3.2 Management may wish to consider if there is sufficient, proportionate service guidance in place to direct staff on all eligibility criteria and evidence requirements, including discounts, disregards, reductions and exemptions. Academy data entry guidance is dated 2011 and it is advised that review and update should be considered. Documented guidance was also available for recovery of Council Tax debt, although there was some difficulty identifying which guidance related to Council Tax.

5.3.3 Introducing robust document management arrangements will help to demonstrate regular review and update of all service guidance, although given the impending Local Government reorganisation, management may not consider this appropriate use of staff time.

Recommendation 4 – Consider if any proportionate additions or updating to service guidance is required.

5.4 Value – effectiveness and efficiency of operations and programmes

5.4.1 A very low number of public complaints were received in the twelve months to December 2021 for Council Tax administration, indicating a high level of public satisfaction with the service.

5.4.2 The service has an effective method of monitoring Council Tax administration. The weekly processing summary reports detail the number of Council tax adjustments processed, outstanding, and date of the oldest notification yet to be processed. Individual performance is also closely monitored through time sheet completion, calculating the average time taken to process Council Tax adjustments.

5.4.3 Staff appraisals give individuals, teams and management an opportunity to review performance, agree future objectives and to determine ongoing learning and development requirements. Regular contact between management and staff takes place through Teams, although regular team meetings and formal appraisals are no longer held on a regular basis. Corporate appraisal guidance has been amended recently, including the requirement for individual appraisals to be documented on an annual basis. It is advised that individual staff appraisals are scheduled in line with corporate guidance. It is also advised that management further consider whether reinstating regular team meetings will be beneficial.

5.4.4 'Percentage of Council Tax collected' is regularly monitored and reported to Executive quarterly in the performance dashboard. Q3 2021/22 performance is above target and higher than the corresponding collection figure for 2020/21. Robust supporting documentation that underpins the performance data was provided.

- 5.4.5** The service plan details that annual performance measurement is comparable nationally using Ministry of Housing, Communities and Local Government billing authority data returns. Evidence of quarterly returns was provided although comparable performance measurement was unavailable. It is advised that local performance assessed using the comparable national data, or the service plan objectives are changed to reflect current practice.
- 5.4.6** Staff regularly attend online data protection and cyber awareness training and no current training requirements were identified.
- 5.4.7** The Revenues and Benefits business continuity plan forms part of the critical service. Review and update of the plan has not taken place since 2018 due to other work priorities. It is advised that the business continuity plan is reviewed and updated.
- 5.4.8** There isn't an arrangement in place to segregate duties between the processing and authorising of Council Tax deductions. Officers can independently act on the instructions and evidence provided by Council Taxpayers without documented supervisory review. It is recommended that management consider if sample checks should be introduced to confirm robust eligibility checks and further reduce the risk of staff collusion with members of the public to commit Council Tax fraud.

Recommendation 5 – Consider if sample checks should be introduced to confirm robust eligibility criteria checks.

- 5.4.9** A recovery stage checking timetable is in place. Stages within the recovery process are progressed although the reports are not sufficiently developed to further determine the efficiency of the recovery process in line with the timetable. It is recommended that the management consider if overpayment reports can be aligned to the recovery stage checking timetable to further demonstrate overpayment recovery efficiency, including time elapsed for each stage.

Recommendation 6 – Review if any improvements can be made to the overpayment recovery reports.

- 5.4.10** Council Tax debt write-offs were found to have been agreed by management and authorised in line with the Council's Financial Procedure Rules. It is advised that cut and paste signatures are not a robust control and should not be used.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Wider management team to regularly and accurately document service risks.	M	Key risks may not be identified or correctly assessed.	Review of risks considered collectively previously and risks deemed to be appropriate. Further internal review to be undertaken in 2022/23	Head of Revenues & Benefits	30 th November 2022
Recommendation 2 – Consider whether the draft Collection and Recovery Policy should be finalised and published.	M	Reduced level of staff direction.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Recovery Team Leader	31 st January 2023
Recommendation 3 – Systems Support Team to apply the Academy system archiving tool.	M	Non-compliance with UK GDPR.	Consideration to be given, after priority requirements have been implemented for LGR	Systems Support & Controls Manager	30 th November 2023
Recommendation 4 – Consider if any proportionate additions or updating to service guidance is required.	M	Reduced level of staff direction.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Revenues Team Leader	31 st January 2023
Recommendation 5 – Consider if sample checks should be introduced to confirm robust eligibility criteria checks.	M	Increased risk of fraud and error.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Revenues Team Leader	31 st January 2023

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 6 – Review if any improvements can be made to the overpayment recovery reports.	M	Overpayment recovery inefficiencies are not identified.	Review of reports to be made during 2022/23, to see if improvements can be identified.	Recovery Team Leader	30 th November 2022

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.1	Review and update job descriptions.
5.1.3	2022/23 service plan to be finalised in a timely manner.
5.1.9	Put an arrangement in place to verify adherence to contract terms.
5.2.2	Records retention schedule to be reviewed and updated.
5.3.2	Review and update of Academy data entry guidance.
5.4.3	Individual staff appraisals to be scheduled in line with corporate guidance. Consider whether reinstating regular team meetings may be beneficial.
5.4.5	local performance to be assessed using the comparable national data, or the service plan objectives to reflect current practice.
5.4.7	Business continuity plan to be reviewed and updated.
5.4.10	Cut and paste signatures should not be used.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(iv)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Recycling (Performance Information)
Report of:	Corporate Director Finance & Resources
Report Number:	RD.12/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Recycling (Performance Information)

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. An audit of Recycling (Performance Information) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 3 medium-graded recommendations.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Recycling (Performance Information) – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Recycling (Performance Information)

Draft Report Issued: 20th April 2022
Director Draft Issued: 06th May 2022
Final Report Issued: 06th May 2022



Audit Report Distribution

Client Lead:	Team Manager – Technical Services
Chief Officer:	Deputy Town Clerk & Chief Executive Chief Executive
Others:	Neighbourhood Services Manager Policy & Communications Manager Technical Officer Policy & Performance Officer
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Recycling (Performance Information). This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2 Neighbourhood Services are responsible for the collection of household recycling, this service significantly contributes towards improving the well-being of the people of Carlisle and supports the Council's priority to continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle.
- 1.3 The Council's recyclable waste is processed via a contract with Cumbria Waste Recycling Ltd (CWR). CWR base their prices for recycling credits from the mid-point rates detailed on the 'Lets Recycle Now' website.
- 1.4 This audit review was agreed to specifically review performance standards:
 - SS03: Percentage of household waste sent for recycling including bring sites and household waste and recycling centres.
 - CSE04: Revenue gained from household waste recycling collected.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Team Manager – Technical Services and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Poor service delivery & reputational damage due to failure to report accurate performance data and identify areas of improvement where required.
 - Poor financial performance due to fluctuating income from recycling.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Recycling (Performance Information) provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	1
4. Value - effectiveness and efficiency of operations and programmes (see section 5.4)	-	-
Total Number of Recommendations	-	3

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

The audit provides reasonable assurance and the service has worked hard throughout the pandemic and is proactive in finding new ways to improve performance and service delivery and although the recycling market remains volatile income has increased year on year.

The recycling prices for the current contract with Cumbria Waste Recycling Limited (CWR) are based on the 'Lets Recycle Now' Website and are monitored monthly to minimise the risk and maximise recycling income.

Financial monitoring takes place on a regular basis.

At the time of the audit review there was no built in resilience for managing recycling performance to cover staff absence. This should include documenting guidance / procedures for all the tasks undertaken in relation to recycling performance management.

There was no clear calculation instructions / guidance documented for either SS03 or CSE04 performance standards nor was it clear as to how the targets are actually set and recorded.

Quarterly performance goes to Directorate Management Teams, Senior Management Team, Scrutiny Panels & then the Executive. Any underperformance would be discussed with the management team with any relevant comments included within the quarterly performance reports.

Audit successfully reperformed (except for five immaterial anomalies) the calculations for the figures reported in the quarter one performance report for both performance standards. (SS03 / CSE04)

Audit testing also highlighted that the figure used for the last month of quarter one for CSE04 was a projected figure rather than an actual due to unavoidable time delays in receiving the data. There was no note made of this in quarterly performance report.

Service Risks detailed in the Neighbourhood Services Risk Register are monitored on a timely basis.

Comment from the Deputy Chief Executive

This is a helpful audit review highlighting three clear and useful recommendations that will be adopted and acted upon by service managers. The report also notes the strong performance of the team across a range of areas which is welcomed and appreciated.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** Financial monitoring takes place on a regular basis, with regular communication between Finance and Technical Services. No concerns have been identified in relation to the financial performance of the service. Although the recycling market remains volatile income collected has increased annually.
- 5.1.2** The team have relevant job descriptions.
- 5.1.3** A draft Interim Cumbria Joint Municipal Waste Management Strategy has been developed and at the time of the audit review was being presented at each of the seven district Councils prior to consideration by the Cumbria Strategic Waste Partnership and Cumbria County Council (lead authority). The draft interim strategy was considered by Carlisle's Joint Management Team on Monday 25 October 2021. With the pending Local Government Re-organisation, it is likely that this strategy will remain a working brief and is unlikely to be formally approved.
- 5.1.4** Quarterly performance reports are presented to Department Management Teams (DMT), Senior Management Team (SMT), Scrutiny Panels and the Executive. Any underperformance is discussed with the management team with any relevant comments included within the quarterly performance reports. The current year's performance for both CSE04 & SS03 has been improving from the previous year.
- 5.1.5** The end of year (2020/21) performance report stated that the target for SS03 was 50%, which was a nationally agreed target. The actual achieved to the end of February 2021 was 41.4%. The reports stated that the target was yet to be confirmed as local and national targets are under consideration by the UK Government, however the reports do contain a year on year comparison.
- 5.1.6** The end of year (2020/21) performance report stated that the performance target for CSE04 was £490K against actual income of £606K. The Team Manager – Technical Services confirmed that the targets have been calculated monthly as a result of the Covid-19 pandemic.
- 5.1.7** The Council's operational risk register includes two risks specifically in relation to this audit review which have been reviewed on a timely basis. Suitable mitigating actions are in place to manage the risks.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** The Technical Officer provided a copy of comprehensive guidance for the tasks completed when checking monthly recycling and waste information which is received from Cumbria County Council and CWR. It was noted that this guidance was not dated, nor did it have an author or version control number.
- 5.2.2** No further guidance was provided for the tasks undertaken by the Team Manager – Technical Services for the monitoring and management of recycling performance information.
- 5.2.3** At the time of the audit review, it was noted that there were no other team members who could cover the tasks completed by the Technical Officer and Team Manager – Technical Services for recycling performance and as a result there is currently no in-built resilience, to cover staff absence.

Recommendation 1 – Guidance should be documented for all tasks relating to recycling performance information and should include relevant records management metadata (review date, version control and author).

- 5.2.4** The spreadsheet used by the Policy & Performance Officer which records the performance indicator definition information was reviewed. This highlighted that there was no guidance documented for the setting / recording of targets or calculation methodologies for each of the performance indicators reviewed. (CSE04 & SS03)

Recommendation 2 – Guidance should be documented in relation to targets and the calculation methodologies used for each of the performance standards reviewed.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Audit testing involved recalculating the two performance standards CSE04 and SS03 for the first quarter of 2021/22, including checking information back to source documentation - daily recycling gate weighing tickets, monthly bring site & garden waste data from CWR, monthly waste data provided by Cumbria County Council, information from the Let's Recycle website, CWR contract, Recycling Solutions, Oxfam, British Heart Foundation, Financial Services, and the Salesforce system.

5.3.2 Audit recalculated performance for the first quarter one of 2021/22 for SS03 (Percentage of household waste sent for recycling – including bring sites, this now includes household waste and recycling centres at Bousteads Grassing and Brampton). Testing identified five small anomalies in the figures, details of which were provided to the Technical Services team. Overall, these anomalies are of no material significance. Testing also noted that spot checks of the gate weighing tickets was not recorded on the spreadsheet in April 2021.

5.3.3 Audit successfully reperformed the calculations for the first quarter of 2021/22 for CSE04 (Revenue gained from household waste recycling collected). This testing identified that the figures used in the last month of the quarter was a projection rather than the actual figure. This is unavoidable but was not mentioned in the quarterly performance report.

Recommendation 3 – A note should be included in the quarterly performance report when reported figures include projections rather than actuals due to unavoidable time lags.

5.3.4 It was not possible to reperform the calculations for the CWR handling charges which are recorded on the monthly material spreadsheet as the original part of the CWR contract was not made available during the audit review.

5.4 Value – effectiveness and efficiency of operations and programmes

5.4.1 The Council's recycling income is obtained via a contract with Cumbria Waste Recycling Ltd (CWR). CWR base their prices from the mid-point on the rates detailed on the 'Lets Recycle Now' website. These rates are monitored monthly to minimise the risk of unknown fluctuations in a volatile market and maximise the recycling income received.

5.4.2 Audit testing confirmed that the rates used by the Council for April, May & June 2021 agreed to the rates on the 'Lets Recycle Now' website.

5.4.3 The CWR contract was originally for 5 years with an option to extend for 2 separate 12 month periods. The Team Manager – Technical Services confirmed that the contract will be extended for an additional two years in light of the Local Government Re-organisation when a decision can be made as to the best way forward.

- 5.4.4** The Neighbourhood Services Service Plan 2021-2022 includes an objective 'to develop a 'dashboard to highlight key service performance at a ward level'. This objective aims to help monitor how the service is performing, the key issues and successes will be shared with residents, officers, and Councillors as relevant to drive service improvement. At the time of the audit the Policy & Performance Officer confirmed that he is working with Service Transformation Officer to streamline the data and produce an operational dashboard which will include data quality checks.
- 5.4.5** The Technical Services team have been proactive in reviewing the scheme of fees and charges, with the approval of the Executive, with the aim of supporting waste reduction and to encourage recycling. This has also increased income received.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1: Guidance should be documented for all tasks relating to recycling performance information and should include relevant records management metadata (review date, version control and author).	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or reputational damage to the Council.	Most of this has already been completed. There is just the Waste Data Flow procedure left to complete.	Team Manager – Technical Services	30/06/22
Recommendation 2: Guidance should be documented in relation to targets and the calculation methodologies used for each of the performance standards reviewed.	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or reputational damage to the Council.	The existing guidance will be reviewed and updated to provide greater clarity on targets and the calculation methodologies used for each of the performance standards.	Policy & Communications Manager	30/09/22

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3: A note should be included in the quarterly performance report when reported figures include projections rather than actuals due to unavoidable time lags.	M	Inaccurate assurances over current performance, as management unaware of extent of estimation in place.	Figures that are estimates or projections, or include a component of either, will be marked with a footnote in the Quarterly Performance Reports.	Policy & Communications Manager	06/05/2022

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(v)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	INTERNAL AUDIT REPORT – DEVELOPMENT MANAGEMENT (COMPLAINTS)
Report of:	Corporate Director Finance & Resources
Report Number:	RD.13/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Development Management (Complaints)

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. An audit of Development Management (Complaints) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 1 high and 1 medium-graded recommendations.

2. Risks

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Development Management (Complaints) – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Development Management (Complaints)

Draft Report Issued: 20th April 2022
Director Draft Issued: 24th May 2022
Final Report Issued: 23rd June 2022



Audit Report Distribution

Client Lead:	Head of Development Management Customer Services Manager
Chief Officer:	Corporate Director of Economic Development Chief Executive
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Development Management (Complaints). This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. Development Management is a key service area for the Council and forms part of the Economic Development Directorate. The service supports the Council's priorities which include continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle and to address current and future housing needs to protect and improve residents' quality of life.
- 1.3. During this audit review a new Corporate Complaints Policy was issued. This policy no longer includes complaints to do with technical planning matters or Legislation. It should be noted that all eight of the development management complaints tested within this audit fell within the remit of the previous policy.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Leads for this review was the Head of Development Management and the Customer Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Financial and reputational damage to the Council due to avoidable complaints.
 - Unnecessary use of resources to the Council due to an ineffective or inefficient planning complaints process and procedures.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Development Management (Complaints) provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.1)	1	1
2. Information - reliability and integrity of financial and operational information (see section 5.2)	-	-
3. Value – effectiveness and efficiency of operations and programmes (see section 5.3)	-	-
Total Number of Recommendations	1	1

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 Findings Summary (good practice / areas for improvement):

The audit concluded that development management complaints were successfully monitored and managed following the processes within the previous Council's Corporate Complaints Policy, no issues were noted. None of these complaints were upheld or had financial implications for the Council.

During the audit review the Corporate Complaints Policy was updated and reissued. The policy no longer includes development management complaints to investigate technical planning matters or legislation. As a result of these changes, Development Management need to develop a system and documented guidance for the monitoring and management of any future complaints received.

No privacy notice had been published for the development management service, this should be made available online as soon as possible.

The team have learned lessons from the complaints received and as a result improvement has been made to the service. This also contributed to improving the new Corporate Complaints Policy.

Comment from the Corporate Director of Economic Development

I welcome the report which, following the changes to the Complaints Process will enable us to ensure that proper processes in relation to Planning issues are implemented.

5.0 Audit Findings & Recommendations

5.1 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.1.1** Responsibility for the Council's Corporate Complaints is held by Customer Services. This process is managed and monitored via the Customer Services Information Point system on SharePoint.
- 5.1.2** During the audit review a new Corporate Complaints and Feedback Policy was approved by the Executive on 27 September 2021 and issued on 12 November 2021. A copy of the policy is available publicly via the Council's website together with a Corporate Complaints form. The policy details how the City Council deals with complaints, compliments, and general customer feedback.
- 5.1.3** The main changes to the new policy are informal response, complaint escalation and acknowledgement. The timescales remain largely the same and communications from the complaints email along with automated reminders.
- 5.1.4** The new policy now states *'Any complaints concerning decisions of the Development Control Committee (or delegated decisions taken by Officers) or technical queries regarding planning legislation must be pursued through the statutory Appeals process or Judicial Review process. The Corporate Complaints Policy cannot be used to investigate technical planning matters or Legislation'*
- 5.1.5** The audit review highlighted that there is currently no documented procedures or guidelines for either staff or the public in relation to development management complaints and there is no process in place for staff to follow when handling and managing any such complaints now they fall out of the remit of the Corporate Complaints Policy. This poses a risk that any future complaints received may not be consistently handled and may result in financial and reputational damage to the Council.
- 5.1.6** The Customer Services Manager and Head of Development Management confirmed work is being undertaken to tackle this by creating a Complaints SharePoint site to record and manage any future development management complaints received. It was also highlighted that work has been undertaken to create a flow chart detailing the development management complaints process; however, this was not made available to audit and has not yet been published on the Council's website.

Recommendation 1 – The SharePoint complaints tracker for development management complaints should be set up along with documented guidance for both staff and public to use.

- 5.1.7** Documents in relation to development management complaints reviewed during this audit were securely retained on the Customer Services Information Point on SharePoint. This system is set up to automatically delete this data three years after it was last accessed.
- 5.1.8** This retention period is detailed in the Customer Service Complaints Privacy notice which is available to view on the Council's website and it is also included within the Council's Document Retention Schedule.
- 5.1.9** Information is also retained securely within each planning application's electronic file on the Acolaid system. It was noted at the time of the audit review that there was no mention of the document retention requirements for development management complaints within the Council's Document Retention Schedule and no privacy notice has been published for this service.

Recommendation 2 – Development Management should publish their complaints document retention information in the Council's Document Retention Schedule and in their privacy notice which should be published on the Council's website as soon as possible.

- 5.1.10** Development management complaint information may be shared with the Ombudsman and regulatory bodies when required. This is included within the Customer Service Complaints privacy notice and this also needs to be included within the development management privacy notice prior to its publication.
- 5.1.11** The Head of Development Management confirmed that he is aware of all the complaints and that he checks all responses prior to them being sent out.
- 5.1.12** The last eight development management complaints received and reviewed during this audit fell within the remit of the previous Council's Corporate Complaints Policy. Audit testing highlighted the following:
- All eight complaints had been acknowledged within five working days of the Council receiving the complaint;
 - The first response (Stage1) to each of the eight complaints was dated within 15 working days;
 - Six of these complaints reached Stage 2, acknowledgements and responses were sent within the agreed timescales;
 - Four of these complaints were escalated to Stage 3 and were heard at an Appeals Hearing, acknowledgments, updates and responses were all found to have been completed within the required timeframes;
 - Two complaints reached Stage 4 – Local Government Ombudsman and neither of the complaints were upheld or investigated.

5.1.13 None of the eight complaints reviewed were upheld nor was there any financial implications for the Council and none had been highlighted in the media.

5.2 Information – reliability and integrity of financial and operational information

5.2.1 There is a service standard SS05: Proportion of corporate complaints dealt with on time that is monitored and reported in the quarterly performance reports which are presented to Directorate Management Team, Senior Management Team, Scrutiny Panels & then the Executive.

5.2.2 The Customer Services Manager confirmed that he monitors corporate complaints monthly using the Customer Service tracker in SharePoint and sends the performance data to the Policy & Performance Officer on a quarterly basis to be included within the quarterly performance reports.

5.2.3 Audit successfully re-performed the calculation for service standard SS05 for the first and second quarter of 2021/22.

5.3 Value – effectiveness and efficiency of operations and programmes

5.3.1 Audit was advised that lessons have been learned from the complaints received and working practices have been amended to improve the service and the new Corporate Complaints Policy.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 - The SharePoint complaints tracker for development management complaints should be set up along with documented guidance for both staff and public to use.	H	If processes and procedures are not clearly set up and documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or financial or reputational damage to the Council.	Set up the Share Point system and train relevant staff on the procedures along with guidance	Head of Development Management	31 June 2022
Recommendation 2 - Development Management should publish their complaints document retention information in the Council's Document Retention Schedule and in their privacy notice which should be published on the Council's website as soon as possible.	M	Failure to adhere to all relevant statutory requirements and breach of data protection legislation through failure to adequately notify individuals on how data will be processed.	Draft policy requires revisions and uploading to website in liaison with the Council's DPO	Head of Development Management	31 August 2022

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.10	Development management complaint information may be shared with the Ombudsman and regulatory bodies when required, this needs to be included within the development management privacy notice prior to its publication on the Council's website.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(vi)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Future High Street Fund
Report of:	Corporate Director Finance & Resources
Report Number:	RD14/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Future High Street Fund

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. An audit of Future High Street Fund was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 4 medium-graded recommendations.

2. Risks

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Future High Street Fund – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Future High Street Fund

Draft Report Issued: 16th June 2022
Director Draft Issued: 16th June 2022
Final Report Issued: 23rd June 2022



Audit Report Distribution

Client Lead:	Head of Regeneration
Chief Officer:	Corporate Director of Economic Development Chief Executive
Others:	Head of Administration and Performance Management
Audit Committee:	The Audit Committee, which is due to be held on 8 th July will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Future High Street Fund. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. In August 2019 the City Council was invited by the government to develop a strategy for the city centre and a business case for investment from the Future High Streets Fund (FHSF). A business case was prepared and submitted in July 2020 that set out a vision to create a vibrant and multifunctional city centre. The primary strategic objectives of the bid were:
 - renewing Carlisle city centre as a place to live, work and visit
 - reactivating Carlisle's Historic Quarter
 - catalysing Carlisle's leisure and night-time economy.
- 1.3. The City Council was awarded £9.1m (including programme management costs) to deliver four projects that contribute to these objectives:
 - reimagining Market Square (Green Market/ Old Town Hall)
 - repurposing 6-24 Castle Street
 - preparing Central Plaza site for redevelopment
 - pedestrian enhancement of Devonshire Street.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Head of Regeneration and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:

Effective processes have not been established to achieve clearly defined outcomes for project:

- governance
- risk management
- stakeholder management
- benefits realisation management

- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Future Hight Street Fund provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	4
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (N/A)	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.2)	-	-
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.3)	-	-
Total Number of Recommendations	-	4

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 **Findings Summary (good practice / areas for improvement):**

Positive benefits of the Future High Street Fund project will be reviewed annually.

A generic major project document management (Share Point) site is being established.

Stakeholder engagement plans are being developed for the four Future High Street Fund elements.

A structure chart (organogram) for the Future High Street Fund project has been developed.

Terms of reference are available for all key project governance groups. Periodic review and acceptance will further enhance accountability.

A Project Management Office has been established to support major projects at the Council. Putting a performance related, documented agreement in place between the Future High Street Fund Project and the Project Management Office will help to maximise performance.

A FHSF project risk register has been developed. A documented arrangement will further demonstrate regular review, agreement and attendance by key project officers.

Regular and timely milestone reporting to the Project Steering Group will enable informed decisions to be taken on corrective action.

Comment from the Corporate Director of Economic Development:

The FHSF is a new funding stream and a governance process and PMO have been established to support. I therefore welcome this report and the recommendations which will help ensure that the correct procedures are in place and actioned.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

5.1.1 The aim of key project governance groups is to operate efficiently and effectively in line with documented and agreed terms of reference, which direct members on the group's purpose. Terms of reference were available for all three key project governance groups; periodic review and acceptance of the terms of reference in minutes will further enhance accountability. The Joint Member Working Group (JMWG) doubles as the FHSF Programme Steering Group. Responsibilities of the 'Programme Board' are detailed in the FHSF business case, although they are not explicit in the JMWG terms of reference. It is advised that management may wish to consider if there is sufficient detail in the JMWG terms of reference to direct members effectively on their FHSF project responsibilities.

Recommendation 1 – Periodic review and acceptance of terms of reference.

5.1.2 The aim of the Project Management Office is to provide an efficient, effective and timely support service for the FHSF project. The 'physical' PMO office consists of the Head of Administration and Performance Management and two other officers who will shortly be in post. The 'virtual' PMO office consists of legal, finance, property services and procurement.

5.1.3 Increased workloads due to the COVID pandemic and Local Government reorganisation has the potential to reduce the level of effectiveness, efficiency and timeliness of PMO services provided. It is recommended that documented arrangements are put in place with both the physical and virtual PMO's which are performance related.

Recommendation 2 – Put a documented arrangement in place with physical and virtual PMO's.

5.1.4 The aim of recording key governance group minutes is clarity and transparency over decisions made and actions completed. It is advised that management may wish to consider the following when recording minutes for the 3 key FHSF governance groups:

- minutes are a record of decisions and actions rather than a record of everything that is said
- minutes should include a brief record of topics discussed (linked to the agenda), decisions taken and actions assigned
- a decision may be as straightforward as noting progress of key milestones with no concerns raised
- actions should be clear assigned to individuals (not groups or services), with resolution dates
- subsequent minutes should note progress of assigned actions

- the officer recording minutes should be confident in their ability to raised questions where the decision made or action assigned is not clearly understood
- standardise the layout of minutes for the FHSF project.

5.1.5 The aim of project risk management is for key officers to regularly review what might not go to plan and put mitigating actions in place to reduce the level of uncertainty. A FHSF project risk register has been developed including specific risks for each of the four FHSF elements, along with fifth entitled 'delivery – general'. Risks are reviewed informally every 2 to 4 weeks by project element working groups. The risk register was found to be mostly complete although some updating is required. For example, the 'last updated' (date of last update) column is not completed for several of the risks. Risk G7, 'Local Government Reorganisation slowing governance decisions and reducing internal resources', has no mitigating action. Some of the risk review dates are historic and have not yet been updated to reflect recent risk reviews.

5.1.6 To further increase accountability for risk management, it is recommended that an arrangement is put in place to demonstrate regular review, agreement and attendance by key project officers. For example, management may wish to consider circulating the updated risk register following review to confirm agreement and attendance, with evidence of circulation retained. It is advised that an arrangement is put in place to ensure the risk register is reviewed for completeness and accuracy prior to circulation.

Recommendation 3 – Put a documented arrangement in place to demonstrate risk register review, agreement and attendance.

5.1.7 The aim of financial and milestone monitoring and reporting, is to enable informed decisions to be taken on the completion of significant project events, on budget and in a timely manner. Milestone reporting is submitted to Central Government and is planned to be reported to the Project Steering Group under the agenda heading 'monitoring and evaluation' The project risk register details that the project has been fully costed including between 10% and 15% contingency and that the Council will be responsible for any cost overruns. It is recommended that the Programme Steering Group documents their review and decision on key milestone and financial reporting in the group minutes. It is advised that the financial monitoring should regularly project future costs to completion including all known budget pressures and any use of contingency.

Recommendation 4 – Programme Steering Group to regularly record review and decisions taken on project milestone and financial reporting.

5.2 Information – reliability and integrity of financial and operational information

5.2.1 The aim of structure charts (organograms) is to clarify the interrelationships between project governance groups for key stakeholders. An organogram has been developed for the FHSF project although some inconsistencies were noted:

- the Joint Member Working group doubles up as the FHSF Programme Steering Group. This is explicit in the Joint Member Working Group terms of reference, although not in the organogram
- the group is referred to as the Joint Member Working Group in terms of reference and but the Joint member Advisory Group in the organogram.
- The organogram references the six FHSF projects although there are now only four.

5.2.2 It is advised that management may wish to consider:

- regular review and update of the project organogram to ensure it remains aligned to the current governance group arrangements and all other published project documents
- which stakeholders require access to the organogram and how this will be provided
- assigning responsibility for organogram maintenance.

5.2.3 The aim of the project document management system on Share Point, is to receive, track, manage, store and share accurate documents in an effective and timely manner. The PMO are in the process of establishing a generic major project Share Point site. It is noted that project Share Point sites have been established previously for major Council projects, although they were not found to be maintained satisfactorily. It is advised that management may wish to consider the following:

- identifying all stakeholders that require Share Point access
- managing stakeholder access effectively
- establishing a timetable for filing, reviewing and updating key project documents.
- following a consistent method of file and folder naming
- ensuring strict version control
- assigning responsibility for Share Point maintenance.

5.3 Value – effectiveness and efficiency of operations and programmes

5.3.1 The aim of stakeholder engagement plans is to provide a systematic approach to ensure project expectations, decisions, risk issues and progress information is delivered to the right person at the right time with the most efficient and effective level of information and in the right format.

5.3.2 Stakeholder engagement plans are being developed by consultants for the four FHSF elements. An example was provided for Market Square and the following was found:

- key stakeholder groups are identified with contact details provided
- power/ influence of each stakeholder has been assessed
- plan is in development and not fully complete. Further enhancements will include communication owners and all contact details.

5.3.3 It is advised that management may wish to consider the following:

- document for each stakeholder, how they will be engaged and what outcomes you need to aim for
- tailor the communications to each stakeholder so it addresses the issues they are most concerned about and provide in a format that is most accessible to them
- monitor engagement levels, processes and outcomes
- put an arrangement in place to demonstrate that plans are accurate, complete and maintained to the standards specified
- periodically provide the Programme Steering Group with demonstrable evidence of successful stakeholder communication (the FHSF business case details that the 'Programme Board' has ultimate responsibility for overseeing stakeholder management and communications).

5.3.4 The aim of benefits realisation is to identify the key project benefits, select how they will be measured and demonstrate that they have been reached. The FHSF business case includes a table of 10 key objectives with a common aim of increased footfall and economic benefit for the city centre. Due to the reduced project scope, some of the original objectives may no longer be relevant, so further review of the table is advised. Key performance indicators, baseline and timeframe have been identified for all objectives. The FHSF business case details that any performance issues will be addressed through project managers and the Programme Steering Group. It is further advised that the results of the specified annual monitoring are provided to the Programme Steering Group with their decision documented in the board minutes.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Periodic review and acceptance of terms of reference.	M	Reduced level of accountability of key governance group members.	FHSF Programme Manager to review and update the Terms of Reference for project / programme governance groups at appropriate stages in the programme to ensure roles and responsibilities accurately reflect the activity and decision-making required (i.e., transition from project development to implementation)	Head of Regeneration	Ongoing
Recommendation 2 – Put a documented arrangement in place with physical and virtual PMO's.	M	Potential for reduced level of service.	The PMO team to provide support to the FHSF Programme Manager and project governance groups in terms recording minutes, decisions and actions.	Head of Regeneration / Head of Administration and Performance Management	July 2022

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 – Put a documented arrangement in place to demonstrate risk register review, agreement and attendance.	M	Risks escalate with management unaware.	The individual SROs and project governance groups will report / update risks to the FHSF Programme Manager, who will provide them to the PMO. The PMO will then collate these into a highlight report /risk register that will be considered by the FHSF Programme Steering Group. This will be a stranding item on the Programme Steering Group agenda.	Head of Regeneration / Head of Administration and Performance Management	Ongoing – but with review of systems and processes by July 2022
Recommendation 4 – Programme Steering Group to regularly record review and decisions taken on project milestone and financial reporting.	M	Milestones are not met and costs escalate with Programme Steering Group unaware.	Establish a SharePoint site repository for the EcDev regeneration programmes where key FHSF project / programme information is to be held. Set up a process and timetable for reviewing and where necessary updating key information so that the repository remains up-to-date.	Head of Regeneration / Head of Administration and Performance Management	August 2022

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.1	Management may wish to consider if there is sufficient detail in the JMWG terms of reference to direct members effectively on their FHSF project responsibilities.
5.1.4	<p>Management may wish to consider the following when recording minutes for the 3 key FHSF governance groups:</p> <ul style="list-style-type: none"> minutes are a record of decisions and actions rather than a record of everything that is said minutes should include a brief record of topics discussed (linked to the agenda), decisions taken and actions assigned a decision may be as straightforward as noting progress of key milestones with no concerns raised actions should be clear assigned to individuals (not groups or services), with resolution dates subsequent minutes should note progress of assigned actions the officer recording minutes should be confident in their ability to raised questions where the decision made or action assigned is not clearly understood standardise the layout of minutes for the FHSF project.
5.1.6	Put an arrangement in place to ensure the risk register is reviewed for completeness and accuracy prior to circulation.
5.1.7	Financial monitoring should project costs to completion including all known budget pressures and use of contingency.
5.2.2	<p>Management may wish to consider:</p> <ul style="list-style-type: none"> regular review and update of the project organogram to ensure it remains aligned to the current governance group arrangements and all other published project documents which stakeholders require access to the organogram and how this will be provided assigning responsibility for organogram maintenance.
5.2.3	<p>Management may wish to consider the following:</p> <ul style="list-style-type: none"> identifying all stakeholders that require Share Point access managing stakeholder access effectively establishing a timetable for filing, reviewing and updating key project documents. following a consistent method of file and folder naming ensuring strict version control

	<ul style="list-style-type: none"> • assigning responsibility for Share Point maintenance
5.3.3	<p>Management may wish to consider the following:</p> <ul style="list-style-type: none"> • document for each stakeholder, how they will be engaged and what outcomes you need to aim for • tailor the communications to each stakeholder so it addresses the issues they are most concerned about and provide in a format that is most accessible to them • monitor engagement levels, processes and outcomes • put an arrangement in place to demonstrate that plans are accurate, complete and maintained to the standards specified • periodically provide the Programme Steering Group with demonstrable evidence of successful stakeholder communication (the FHSF business case details that the 'Programme Board' has ultimate responsibility for overseeing stakeholder management and communications).
5.3.4	<p>Further review of the objectives table.</p> <p>Results of the specified annual monitoring provided to the Programme Steering Group with their decision documented in the board minutes.</p>

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(vii)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Creditors
Report of:	Corporate Director Finance & Resources
Report Number:	RD15/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Creditors

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. An audit of Creditors was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 1 high and 5 medium-graded recommendations.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Creditors – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Creditors

Draft Report Issued: 17th May 2022
Director Draft Issued: 17th June 2022
Final Report Issued: 22nd June 2022



Audit Report Distribution

Client Lead:	Head of Financial Services Accountancy Services Manager
Chief Officer:	Corporate Director of Finance and Resources Chief Executive
Others:	
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Creditors. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. Creditors are the organisations and individuals that the Council owes money to. Management of creditors involves the processing of orders, recording of transactions, authorisation and payment.
- 1.3. Forming part of the Council's main financial system, creditors is audited on a cyclical basis.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Finance Officer (Systems, Controls and Development) and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Failure to pay suppliers accurately and timely
 - Unauthorised spending to budgets
 - The Council incurs greater expenditure than necessary when processing creditor payments
 - Fraudulent invoices are paid
 - Inappropriate or inefficient use of petty cash
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Creditors provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
3. Information - reliability and integrity of financial and operational information (see section 5.3)		1
4. Security - safeguarding of assets (see section 5.4)	1	2
5. Value – effectiveness and efficiency of operations and programmes (see section 5.5)	-	-
Total Number of Recommendations	1	5

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 Findings Summary (good practice / areas for improvement):

Performance of invoice payment within 30 days is consistently maintained to high standard, even though incomplete orders and invoice 'blue slips' submitted for process to Creditors, are common.

There is a single high-level recommendation for verification of creditor bank details across the Council. It is common for fraudsters to provide false bank change notifications to gain monies through deception and a similar issue was raised in the previous audit report in February 2019. The risk exposure to the Council has increased because bank details have been provided to creditors during the COVID lockdown period on a significant scale, via other services.

Local arrangements in place to verify bank details do not include the completion of a file note in line with documented guidance. An agreed action from the last audit to consider if a report could be adapted to provide a meaningful monitoring report to allow regular spot checks was unsuccessful. Enhanced oversight of the arrangements to verify bank details will increase assurance that the required checks and verification are being undertaken across the Council.

Director's schemes of sub-delegation are all in place, including authorisation bands for purchase orders and invoices.

Officers have adapted well to agile working and weekly/ emergency creditor payment runs can now be carried out remotely.

Creditors is proactively moving towards a digital service and cheques are no longer issued.

Creditor stationary is almost all electronic and controlled to a high standard.

The process to demonstrate that segregation of duties is maintained, would benefit from further review.

Reminding officers of their responsibilities and flagging any non-compliance to management will further increase robustness of the petty cash arrangements.

Introducing document management arrangements will further demonstrate that guidance remains current.

Periodic management oversight of financial system access will further enhance the controls already in place.

Reviewing the current processes in place for identifying duplicate invoices would be beneficial.

Comment from the Corporate Director of Finance and Resources:

A useful audit review which highlights areas of good practice, especially those procedures adopted during the pandemic which facilitated a paperless process, whilst also highlighting areas for improvement; all of which have been accepted by management. Some processes and procedures must be strengthened as a result, especially those in relation to the high graded recommendation on bank account details. I am assured that all recommendations will be implemented in line with the agreed deadlines as set out in the appendix.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** Director's schemes of sub-delegation are all in place including authorisation bands for purchase orders and invoices.
- 5.1.2** The Finance Officer (Systems, Controls and Development) left the Council recently and a replacement started in June 2022. This increases the risk exposure to Creditors in the short-term because this is a key supervisory role held by an experienced officer.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** Ten orders were tested to verify alignment to the purchase ledger procedures manual. The manual requires that the order is signed by an authorised signatory. Scanned documents were available for three of the ten orders, although one was not authorised. Orders were unavailable for seven of the ten tested and this is likely to be due to the electronic purchase order sheets introduced during the pandemic to replace hard copies. The 'authorised by initials/ date' column is now completed on the electronic purchase order sheets, replacing a physical authorising signature.
- 5.2.2** For another order reviewed, the order buyer/ contact, order authoriser and invoice authoriser were all signed by the same officer, although a different officer received the goods. This transaction was of material value. For three of the ten orders tested, the 'goods received' box was not initialled, although this is also likely to be due to the temporary measures introduced during the pandemic.

Recommendation 1 – Review process in place to verify that segregation of duties is maintained.

- 5.2.3** Audit testing highlighted inconsistencies in petty cash transactions and examples were noted where the value spent was over the £50 limit detailed in the Financial Procedure Rules. There were also examples where expenditure would be more appropriate via other procurement channels such as order/ invoice or corporate credit card. Not all petty cash returns had been appropriately certified and several had been certified by an officer who was a lower grade than the officer who had completed and verified the petty cash return.

- 5.2.4** Only minor expenses under the £50 limit should be processed via petty cash and other more appropriate purchasing methods should be used for larger amounts. It is recommended that officers are reminded to comply with the financial procedure rules when operating a petty cash system and that any non-compliance should be flagged with management. It is also recommended that petty cash returns are certified by an officer of a higher grade than the one that completed and verified the petty cash return.

Recommendation 2 – Remind officers of their responsibilities and flag any non-compliance with management.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** The Council's Financial Procedure Rules were last updated in September 2018 and include relevant direction for officers on, 'Ordering and Paying for Work, Goods and Services'.

- 5.3.2** A Purchase Ledger Procedures Manual is available on the intranet which has been recently reviewed and updated. Comprehensive creditor staff guidance documents are also available on the shared drive. This suite of guidance documents would benefit from the introduction of document management arrangements to demonstrate regular review and update. A similar recommendation was included in the previous Creditors audit report in February 2019. It is advised that any review of guidance documents is proportionate, given the impending Local Government Reorganisation.

Recommendation 3 – Introduce document management arrangements to demonstrate regular review and update.

- 5.3.3** Authorised purchase orders and invoice 'blue slips' are often not fully completed when submitted to creditors. For example: initials for goods received, initials for invoice details checked, order number, creditor or voucher number missing. Returning the documents to the relevant authoriser to complete accurately is not viable because it impacts on the requirement to pay invoices within 30 days. Further training for authorisers is an option, although given the impending Local Government Reorganisation it is not considered a proportionate response. It is advised that management consider if further advice to authorisers, reminding them that completion of purchase orders and invoice 'blue slips' should be checked for completion, prior to authorisation.

5.4 Security – Safeguarding of Assets

5.4.1 Financial system access rights to creditors are generally maintained to a good standard although it may benefit from an additional layer of oversight. During audit testing, two officers that no longer worked for the Council were still found to have creditor access, although there are likely to be compensating controls within ICT that would prevent them from gaining access to any Council systems. Access was subsequently removed. Two officers with delegated authorisation were also found to have 'Creditor Invoice Entry' access to the financial system which could potentially cause a conflict of interest with segregation of duties. The above scenarios are likely to have arisen because the relevant managers have not informed finance of the change in circumstances.

5.4.2 It is recommended that management oversight should include periodic documented confirmation that access rights have been reviewed, remain appropriate and segregation of duties is maintained.

Recommendation 4 – Periodic management oversight of financial system access.

5.4.3 An e-purchasing system is also in use with limited access rights. It is mainly used by the Service Support Team for placing stationary, travel and accommodation orders. It was originally intended to be rolled out for wider use although this has now been cancelled as it has been agreed that a different system will be adopted by the new Council following Local Government Reorganisation.

5.4.4 The Purchase Ledger Procedures Manual details that, 'the creditor system duplicate invoice warning pop-up message should never be ignored when entering invoices into the system'. Creditors officers run daily duplicate invoice reports which are reviewed to prevent duplicate invoice payments. During the most recent National Fraud Initiative exercise, a small sample of electronic creditor transactions identified a duplicate payment for £1,391.42 despite the controls in place.

Recommendation 5 – Review the effectiveness of current processes in place to detect duplicate invoices

5.4.5 Finance staff guidance directs staff on reducing the risk exposure to procurement fraud. Changes to bank details should only be accepted in writing directly from the creditor and not from a member of staff. Notification cannot be accepted as confirmation alone and the creditor must be contacted to verify the changed details. The electronic 'notes' tab should be selected and brief description of the details amended, where the information came from and initials should be entered. A file note was available for two of the three bank changes tested and they both referred to bank details taken from the invoice.

- 5.4.6** It is likely that a more thorough check is being undertaken within Creditors, although this is not explicit in the electronic file note.
- 5.4.7** There are seven officers that have access to amend Creditors details including bank accounts. An eighth generic user account is set up for file interfaces provided from other directorates and used for bulk changes to creditor details. It has been used recently to load bank details for a significant number of COVID grant payments. An electronic file note is not recorded by other directorates for these changes and finance do not have oversight of the arrangements in other directorates to verify changes to bank details.
- 5.4.8** Following a recommendation made in the previous audit (February 2019) a report which would allow for supervisory review of creditor bank detail changes was under consideration, although it was not successfully developed.
- 5.4.9** It is recommended that an oversight arrangement is introduced to raise assurance that both new and adjusted creditor bank details are consistently verified and recorded throughout the Council.

Recommendation 6 – Oversight of bank detail changes to verify the robustness of checks carried out.

5.5 Value – effectiveness and efficiency of operations and programmes

- 5.5.1** Percentage of all invoices paid within 30 working days is reported to the Executive as part of the Carlisle City Council Performance Dashboard on a quarterly basis. Performance is consistently high. Q3 2021/22 is stated as 99.1% which was verified against supporting documents. The comparative figure for Q3 2020/21 is 98.9%.
- 5.5.2** The key Finance Assistant post is split between two part-time staff, increasing service resilience should either be absent at short notice.
- 5.5.3** Officers have adapted well to agile working and weekly/ emergency creditor payment runs can now be carried out remotely.
- 5.5.4** The Council no longer issues cheques for the payment of creditors which are now BACs transfers. Unused cheques that have been securely stored and regularly reconciled will now be securely disposed of.

- 5.5.5** Creditor stationary is controlled and stored securely. Stocks of purchase order books are almost empty with no plans to re-order. The Service Support Team now issue electronic purchase orders which are recorded on a written document. Management may wish to consider if the recording the issue of electronic purchase orders should also be recorded electronically. Purchase orders are submitted by email using an electronic signature authorisation which is saved in pdf format. The receipt of the purchase order from a known authoriser's email address is a robust control alone. Electronic signatures can be easily copied and as an alternative process, management may wish to consider requesting that the authoriser's name is printed on the purchase order (rather than an electronic signature), whilst continuing to ensure that submission is made from the authoriser's email address.
- 5.5.6** Prepayment and exception reports are reviewed prior to payment runs, identifying invoices in dispute.
- 5.5.7** A daily creditors control account reconciliation is undertaken with monthly supervisor authorisation.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Review process in place to verify that segregation of duties is maintained.	M	Orders placed which are outside the scope of service requirements and/ or fraudulent.	A reminder will be issued to all staff to advise that all orders must be appropriately authorised either manually or electronically	Head of Financial Services	31/07/22
Recommendation 2 – Remind officers of their responsibilities and flag any non-compliance with management.	M	Cash spent which is not subject to scrutiny and/ or outside the scope of service requirements and/ or fraudulent.	A reminder will be issued for the appropriate use of petty cash	Head of Financial Services	31/07/22
Recommendation 3 – Introduce document management arrangements to demonstrate regular review and update.	M	Staff directed to carry out processes that are no longer fit for purpose and do not reflect current practice.	Version control will be added to the purchase order procedure manual and the manual will be reviewed	Head of Financial Services	31/07/22
Recommendation 4 – Periodic management oversight of financial system access.	M	Segregation of duties not maintained and/ or staff access which is outside the scope of duties.	Starters and leavers are notified via HR and removed from the system. A review will be undertaken every 6-months to check system users	Finance Officer (Systems Controls and Development)	30/09/22

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 5 – Review the effectiveness of current processes in place to detect duplicate invoices	M	Controls in place are not robust enough to detect duplicate payments for the same goods/ services.	A review of the current process will be undertaken to see if any improvements can be made	Finance Officer (Systems Controls and Development)	30/09/22
Recommendation 6 – Oversight of bank detail changes to verify the robustness of checks carried out.	H	Controls in place are not robust enough to detect fraudulent payments.	A review of the process for bank detail changes will be undertaken	Finance Officer (Systems Control and Development)	30/09/22

Appendix B – Advisory Comments

Ref	Advisory Comment
5.3.2	Any review of guidance documents should be proportionate given the impending Local Government Reorganisation.
5.3.3	Management to consider if further advice to authorisers, reminding them that completion of purchase orders and invoice 'blue slips' should be checked, prior to authorisation.
5.5.5	Electronic signatures can be easily copied and as an alternative process, management may wish to consider requesting that the authoriser's name is printed on the purchase order (rather than an electronic signature), whilst continuing to ensure that submission is made from the authoriser's email address.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(viii)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Main Accounting System
Report of:	Corporate Director Finance & Resources
Report Number:	RD16/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Main Accounting System

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. An audit of Main Accounting System was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 4 medium-graded recommendations.

2. Risks

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Main Accounting System – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Main Accounting System (MAS), Budget Monitoring and Medium-term Financial Plan (MTFP)

Draft Report Issued: 18th March 2022

Director Draft Issued: 6th May 2022

Final Report Issued: 25th May 2022



Audit Report Distribution

Client Lead:	Head of Financial Services
Chief Officer:	Corporate Director of Finance and Resources Chief Executive
Others:	Accountancy Services Manager Finance Officer (Systems, Controls and Development)
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Main Accounting System (MAS), Budget Monitoring and Medium-term Financial Plan (MTFP). This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. The main accounting system records all financial transactions and provides information for the preparation of management accounts, statutory accounts and financial returns. To ensure the reliability of financial information for both decision making and reporting purposes, it is essential that effective accounting controls are operated on a regular and consistent basis.
- 1.3. Budget monitoring is the system of comparing actual income, expenditure and commitments to the planned budget, recording explanations for key variances and informing budget holders and management through regular reporting.
- 1.4. The Medium-term Financial Plan sets out the current framework for planning and managing the council's financial resources, to develop its annual budget strategy and update its current five-year financial plan.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Head of Financial Services and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Accounting transactions and balances are not recorded in an accurate and timely manner
 - Budget monitoring arrangements do not detect and report significant variances
 - Medium term financial planning process fails to identify significant costs and income streams

- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within MAS, Budget Monitoring, MTFP provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (N/A)	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	1
3. Information - reliability and integrity of financial and operational information (see section 5.3)		1
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.5)	-	2
Total Number of Recommendations	-	4

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 Findings Summary (good practice / areas for improvement):

A detailed Medium-term Financial Plan is documented and follows a robust annual process of review, scrutiny and authorisation by The Executive, Business and Transformation Scrutiny Panel and Full Council.

Comprehensive annual training on Council financial processes is available to all staff and supplemented with robust training notes.

Transactions posted to suspense accounts are reviewed and cleared on a timely basis.

Regular monthly budget monitoring reports with explanations for variances are produced and distributed on a timely basis.

Timely debtors and creditors control account reconciliations are carried out with review and authorisation recorded.

Financial system security access is effectively managed.

Review of document management arrangements will help to further demonstrate completeness and accuracy of the financial guide.

Re-instating the supervisory review and authorisation of monthly bank reconciliations will further enhance the controls already in place.

Authorisation process review will help to maintain the accuracy and completeness of journal posting.

Alignment of resource transfers to the Financial Procedure Rules will further enhance transparency of virements.

Comment from the Director of Finance and Resources:

A useful audit review which has highlighted some specific areas for review in order to enhance the Council's budget monitoring procedures and to aid decision making. I welcome the report and accept the recommendations.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation’s strategic objectives

5.1.1 The MTFP follows a robust annual process of review, scrutiny and authorisation by The Executive, Business and Transformation Scrutiny Panel and Full Council. The process followed aligns with the requirements of the Financial Procedure Rules in the Council's Constitution. Following presentation of a detailed report by the Corporate Director of Finance and Resources, senior governance groups are given the opportunity to scrutinise the data and raise queries which are captured in the relevant minutes. The content of the report was found to explain the financial principles underpinning the MTFP, along with its links to other strategies and is supported by further robust working papers.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 The Financial Procedure Rules in the Council's Constitution detail the authorisation requirements for transferring resources between approved estimates or heads of expenditure, without creating additional overall budget liability. Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation is not treated as a virement, provided that the amount is used in accordance with the purpose for which it has been established; and the Executive has approved the basis and the terms, including financial limits, on which it will be allocated.

Resources that have been transferred between approved estimates or heads of expenditure in the virement tracker spreadsheet are allocated either a 'VIRT' (virement) number or a BGTA (budget adjustment) number. The authorisation process for two of the virements tested with 'VIRT' did not fully align to the virement authorisation process detailed in the Financial Procedure Rules, although management explained that they were not considered to be virements.

It is recommended that where resource transfers between approved estimates or heads of expenditure are recorded in the tracker spreadsheet, further detail is provided to enhance transparency of alignment to financial procedure rules.

Recommendation 1 – Further align resource switches to the financial procedure rules

5.3 Information – reliability and integrity of financial and operational information

5.3.1 A sizeable electronic financial guide has been developed to direct staff on specific financial processes. The guide would benefit from regular review and update, although the risk of staff guidance not being current is mitigated to an extent through low staff turnover and experienced Finance Officers. Additional documented guidance for key processes is available throughout Accountancy and assessment for inclusion in the central financial guide is advised.

It is further advised that consideration is given to the proportionality of the review due to Local Government Reorganisation.

Recommendation 2 – Review document management arrangements for the financial guide

5.4 Security – Safeguarding of Assets

5.4.1 Financial system security access is effectively managed and there is a robust arrangement for completing and authorising new user application forms and making changes to existing user access. As an additional layer of security, it is advised that the Head of Financial Services and/ or the Accountancy Services Manager confirm the appropriateness of user access, following receipt of a periodic overview report. Access rights were found to be removed when Officers leave the authority, although not always in a timely manner (sometimes several weeks after). There are likely to be compensating central ICT controls, although risk assessment of financial system access for staff leavers is advised.

5.5 Value – effectiveness and efficiency of operations and programmes

5.5.1 Comprehensive annual training on Council financial processes is available to all staff and supplemented with robust training notes. Financial processes training is not compulsory and only 3 of the current 23 budget managers were found to have attended since 2014. It is advised that management consider the risk that due to low attendance, budget managers may not have received the required direction to manage their budgets effectively. It is further advised that consideration is given to alternative training platforms such as Skill Gate, enabling self-study at a convenient time and location.

5.5.2 Transactions posted to suspense accounts are reviewed and cleared on a timely basis.

- 5.5.3** Timely 'SMS' monitoring reports are distributed comparing year-to-date budget with actual spend. Explanations are provided for all variances although management may wish to further consider the cost/ benefit of doing so. For example, audit testing found that a variance of £301k was broken down into 23 smaller variances with an explanation provided for each. Three material variances over £15k each, accounted for 97% of the £301k, with the remaining 20 lesser variances (both positive and negative) making up the remaining £3k.
- 5.5.4** There are some examples where variance explanations are stated simply as being over or under budget. It is advised that if a variance explanation is given, it should always include the reasons why it is over or under budget. Budget holders should provide Finance Officers with suitable explanations of variances within their service areas.
- 5.5.5** Regular monthly 'FIS' reports are also distributed, comparing the forecast full year actual spend against budget. The forecast full year actual spend is based on actual spend plus purchase orders raised plus balance of remaining budget. Management may wish to consider if the forecast full year actual spend could be enhanced by offering budget holders the opportunity to adjust the balance of remaining budget where they feel this may not accurately reflect known spending pressures for the remainder of the financial year. An accurate budget profile is key to predicting year end spend and these should be regularly reviewed by the relevant budget holder.
- 5.5.6** A bank reconciliation for the three main Council banks is reviewed and recorded daily. The figures from the daily reconciliation are used as the starting position to complete a regular monthly bank reconciliation in the format required for year-end External Audit. The monthly reconciliation is carried out by a different Officer to the daily reconciliation. Historically, the monthly bank reconciliation included a supervisory review and authorisation, although this has not been completed recently due to a change in staff circumstances. To enhance the regular, documented bank reconciliations undertaken, it is recommended that the supervisory review and authorisation is re-instated to further confirm accuracy and completeness.

Recommendation 3 – Reinstate the monthly bank reconciliation supervisory review and authorisation

- 5.5.7** The Scheme of Sub-delegation for Finance and Resources details that the following can authorise journals: Corporate Director of Finance and Resources, Head of Financial Services and Accountancy Services Manager. Audit testing found some examples of journals that were not authorised at the time of posting. Some classes of journal are authorised in bulk after posting, as part of the year-end timetable and processes, although the actual authorisation was not available to view.

- 5.5.8** To further improve the efficiency and effectiveness of the journal transfer authorisation process, management may wish to consider removing the authorisation requirement for individual journals and replace this with monthly management review and authorisation of material journal postings only. This is considered an effective risk-based authorisation process which focuses on detection of only material transfers made in error.
- 5.5.9** There isn't a de-minimis value set for journal transfers and management may wish to consider the cost/ benefit of posting low value journals.
- 5.5.10** It is advised that journal transfers are made using a fully digital process, removing the option of scanned and emailed hand-written journals where possible.
- 5.5.11** A defined email authorisation from the responsible manager is a robust control. It is advised that the addition of 'cut and paste' signatures for authorisation should be avoided because they can be easily copied by non-authorisers.

Recommendation 4 – Review the journal authorisation process

- 5.5.12** Debtors and creditors control account reconciliations are carried out daily. A monthly supervisory review and authorisation of the daily reconciliations is recorded. Further debtors and creditors control account reconciliations in an alternative format are recorded monthly, although management are currently reviewing the requirement to do so moving forward. It is advised this review is concluded.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Further align resource transfers to the financial procedure rules	M	Inappropriate virements are made without suitable consideration and authorisation.	Further details will be provided on budget adjustments to ensure they align to a relevant Financial Procedure Rule	Head of Financial Services	30/09/22
Recommendation 2 – Review document management arrangements for the financial guide	M	Staff error due to lack of direction on how to carry out financial processes.	Any policies and procedures that are used in finance will be reviewed but consideration of resource requirements and potential moves to new processes under LGR will be taken	Head of Financial Services	31/03/23
Recommendation 3 – Reinstate the monthly bank reconciliation supervisory review and authorisation	M	Bank reconciliation errors may not be identified in a timely manner.	The monthly bank reconciliation review will be reinstated	Head of Financial Services	30/09/22
Recommendation 4 – Review the journal authorisation process	M	Journal errors may not be identified in a timely manner.	The current journal authorisation process will be reviewed to determine whether email authorisation provides greater control than attaching electronic signatures	Head of Financial Services	30/09/22

Appendix B – Advisory Comments

Ref	Advisory Comment
5.3.1	All staff guidance covering key processes to be held centrally as part of the financial guide. Proportionality of content review should be considered due to Local Government Reorganisation.
5.4.1	Head of Financial Services and/ or the Accountancy Services Manager to confirm the appropriateness of user access, following receipt of a periodic overview report. Review timeliness of financial system access removal.
5.5.1	Management to consider the risk that due to low attendance on financial processes training, budget managers may not have received the required direction to manage their budgets effectively. Consideration to be given to alternative training platforms for financial processes training (Skill Gate for example), enabling self-study at a convenient time and location.
5.5.3	Management may wish to consider the cost/ benefit of providing explanations for all budget variances.
5.5.4	If a variance explanation is given, it should always include the reasons why they are over or under budget, as an alternative to stating they are over or under budget.
5.5.5	Management may wish to consider if the forecast full year actual spend could be further improved by offering budget holders the opportunity to adjust the balance of remaining budget where they feel this may not accurately reflect known spending pressures for the remainder of the financial year.
5.5.8	Consider removing the authorisation requirement for individual journals and replacing this with monthly management review and authorisation of all journal postings, sorted by materiality.
5.5.9	Consider setting a de minimis value for journal transfers.
5.5.10	Consider making the journal transfer process fully digital.
5.5.11	Cut and paste signatures for journal authorisation should be avoided because they can be copied easily by non-authorisers.
5.5.12	The review of the requirement for additional monthly debtors and creditors control reconciliations should be concluded.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.2(ix)

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Procurement (Counter-Fraud)
Report of:	Corporate Director Finance & Resources
Report Number:	RD17/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Procurement (Counter-Fraud)

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. An audit of Procurement (Counter-Fraud) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 1 high and 7 medium-graded recommendations.

2. Risks

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Procurement (Counter-Fraud) – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Procurement (Counter-Fraud)

Draft Report Issued: 14 April 2022
Director Draft Issued: Day Month 2020
Final Report Issued: Day Month 2020



Audit Report Distribution

Client Lead:	Procurement & Insurance Officer
Chief Officer:	Corporate Director Finance & Resources Chief Executive
Others:	Head of Financial Services Head of HR & Payroll
Audit Committee:	The Audit Committee, which is due to be held on 8 July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the counter-fraud audit of Procurement. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2 Procurement fraud relates to fraudulent activity in relation to the provision of goods and services to the Council, which can occur at both the point of contract award (price fixing / bribery / corruption) and during provision of services (inflated prices / provision of deliberately inferior materials). The cost of fraud within local government is estimated at £2.2B per year, of which £876M is assigned to procurement fraud.
- 1.3 It is essential the Council remain vigilant against attempts to defraud via provision of goods and services, especially as the Covid-19 pandemic has seen a dramatic increase in this type of fraud.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Procurement and Insurance Officer and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - The council is exposed to procurement fraud prior to award of contract
 - The council is exposed to procurement fraud post award of contract/order/delivery of services.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

- 3.2** From the areas examined and tested as part of this audit review, we consider the current counter-fraud controls operating within Procurement provide **reasonable assurances**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1** There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	3
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	1	4
3. Information - reliability and integrity of financial and operational information (N/A)		
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (N/A)	-	-
Total Number of Recommendations	1	7

- 4.2** Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.
- 4.3 Findings Summary (good practice / areas for improvement):**
The authority has an internal control framework in place that includes the robust financial management over the procurement of goods and services. Controls have been well established and are in line with expectations for any public organisation.

However, there is limited horizon scanning in place to maintain awareness of developments within the procurement fraud risk environment, increasing the Council's exposure to not being able to prevent or detect new types of procurement fraud. There is a need to ensure responsible officers monitor the risk environment to maintain a general awareness and the Council's approach to managing risk should be formally

reviewed as part of the risk management framework to ensure regular update and review of mitigating controls.

There is a need to update and review all associated regulations, policies and procedures to ensure they align with the risk environment.

Training and awareness should be focussed on individuals with fiscal responsibility, who should also be reminded of the requirement to declare any potential conflicts of interest. Consideration should also be given as to whether such posts should also receive a CRB/DBS check.

There is also a need to ensure a consistent approach is adopted to adherence with financial and recruitment policies. While the majority of high usage suppliers were found to be compliant with standing orders, a number of issues were identified where the Council has used the same supplier for a number of years, resulting in a potential breach of the Standing Orders. This poses significant risk to the Council in terms of ensuring value for money is in place and also exposes the Council to risk of exposure to challenge from competitors and a lack of up to date contractual arrangements limits assurances that regulatory requirements are adhered to.

Comment from the Corporate Director Finance & Resources

A good and welcomed audit review. It is pleasing to note the reasonable assurance provided and that procurement fraud is not a significant issue for Carlisle due to the level of internal controls currently in place. However, it is right and proper that all officers with fiscal responsibilities receive relevant information to ensure that they are aware of developments in the procurement fraud risk environment. All policies and procedures should reflect these developments too, and processes put in place to ensure full compliance with the suite of procurement policies.

It is also recognised that improvements can always be made and as such, all of the recommendations have been accepted as set out in the appendix.

Regarding the CPR's and the opening of tenders – it was a conscious decision during a review to leave them in simply to capture a procedure which could be used should the electronic method fail for whatever reason. An effective risk management mitigation.

I have also discussed the CPR financial limits with the Audit Manager and explained the rationale for the current limits, such as the level of internal control required, risk appetite, level of revenue and capital spend and key decision limits. There is no standard limit – it is up to the individual council based upon local knowledge and the advice of the S151 Officer to set their own limits.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The Council encourages an anti-fraud culture. The Corporate Director Finance & Resources is responsible for counter-fraud activity and encourages ongoing development of the Council's response to fraud. This current audit review was specifically requested to obtain assurances the Council is adequately managing this significantly growing area of fraud.
- 5.1.2** The Council's constitution includes the financial regulations, which provide guidance on how to ensure all incurred expenditure is genuine and offers value for money in line with strong financial management.
- 5.1.3** The financial procedure rules were reviewed by Internal Audit from a counter-fraud perspective in 2020, resulting in a list of suggested updates. It was originally intended to incorporate these changes as part of a larger planned review of financial regulations. However, this project has been suspended due to LGR. The suggested changes by Internal Audit were not significant and predominantly administrative, so would not add significant value to the management of fraud risks.
- 5.1.4** The Constitution also includes the Contract Procedure Rules (CPRs), which set the financial limits as to when the Council should obtain quotes or engage in tendering exercises. The CPR's also provide guidance on how such exercises should be undertaken.
- 5.1.5** The CPRs were last formally recorded as updated in 2012 (though limits have been reviewed by the S151 Officer on a regular basis) and contains out of date information; for example, detailed guidance on opening tenders manually, whereas all tenders have been routed electronically through the Chest (a government approved e-tendering system) for many years.

Recommendation 1 – The Council should ensure Contract Procedure Rules are updated on a regular basis.

- 5.1.6** The Constitution also includes codes of conduct for both Officers and Members that help set a cultural tone of ethical behaviour and support a zero-tolerance approach to bribery and corruption.
- 5.1.7** All constitutional documents are available publicly via the Council's website.

- 5.1.8** A scheme of delegation is in place for each Directorate that specifies those officers responsible for approving payments, including financial limits for each officer. A recent audit review of the schemes found them to be up to date and fit for purpose.
- 5.1.9** The Council has a suite of counter-fraud policies including the Counter-Fraud and Corruption Policy, confidential reporting policy and anti-bribery policy. The policies have not been reviewed since 2017, although Internal Audit are involved in a current exercise to update these policies.
- 5.1.10** The counter-fraud policies were previously available on the Council's intranet, though these have recently been removed as part of the intranet migration project to SharePoint. It is intended that the updated policies will be available to all officers and will be supported by a corporate communication informing officers of the update.
- 5.1.11** A Procurement Strategy is also in place setting out the Council's approach to procurement activity. The document is made available to any officer engaging in significant procurement exercises.
- 5.1.12** Current policies and procedures would all benefit from regular updates to ensure they reflect current issues in relation to procurement fraud. This would be assisted via improved horizon scanning by responsible officers to ensure they are aware of current issues in the procurement fraud risk environment (see rec 4).

Recommendation 2 – The Council should regularly review all relevant policies and procedures against current developments within the procurement fraud risk environment.

- 5.1.13** There is no specific training in place in relation to procurement counter-fraud, though the following mandatory training is in place for all officers:
- Mandatory anti-money laundering e-learning for officers with relevant fiscal responsibilities.
 - Mandatory cyber-security training for all officers with a network account.
 - Induction for all new starters includes reference to codes of conduct and confidential-reporting policy.
- 5.1.14** Annual training is delivered for both Procurement and Counter-Fraud as part of the ethical governance training programme. Courses are delivered face to face or via Microsoft Teams. However, neither course is well attended, with particularly limited numbers of officers with fiscal responsibility.

5.1.15 No specific mandatory training or information is provided to budget holders in relation to procurement fraud.

Recommendation 3 – Training and/or information should be provided to budget holders to help maintain awareness of current procurement fraud issues.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 Audit testing indicated procurement fraud is not considered as a potential operational risk and associated risk registers do not include any references to procurement fraud.

5.2.2 It is clear officers are aware of the need to prevent fraud and an internal control framework is in place to mitigate the risk of fraud; however no horizon scanning is in place to develop awareness of changes in the procurement fraud risk environment, so there is increased risk exposure to new risks. The Procurement and Insurance Officer was provided with CIPFA's Managing the Risk of Procurement Fraud as a starting point for best practice in managing this risk.

Recommendation 4 – A process should be put in place to ensure the procurement fraud risk environment is closely monitored and consideration should be given to including management of this risk within the Council's operational risk registers.

5.2.3 All incidences of procurement fraud identified through confidential reporting are investigated by Internal Audit. Two investigations specifically relating to procurement fraud have been undertaken in the last five years, both of which upheld allegations made, resulting in disciplinary action.

5.2.4 The Council also participates in the biennial National Fraud Initiative exercise, which identifies potential fraudulent activity, including duplicate payments and conflicts of interest. No significant findings have been made as a result of reviews of match reports.

5.2.5 The Council has recruitment policies in place to prevent employing individuals with a history of fraudulent or unethical behaviour, including ensuring gaps in employment history are explained and references are obtained from previous employers.

5.2.6 Audit testing identified that references are not always collected. The Head of HR and Payroll also identified it would be more secure to ensure references cover the previous three years of employment as a minimum and intends to introduce this a policy.

Recommendation 5 – Recruitment processes should be adhered to, including the collection of appropriate references.

5.2.7 Certain Council posts are subject to either basic disclosure checks or CRB clearance; however, this only relates to individuals working with vulnerable people or responsible for processing sensitive information. Fiscal responsibility is not currently considered as part of the process though some posts within Accountancy Services are subject to such checks.

Recommendation 6 – The Council should consider whether posts attracting a degree of fiscal responsibility should be subject to disclosure checks.

5.2.8 The CPRs ensure appropriate checks are applied to the procurement of goods and services that surpass stated thresholds.

5.2.9 There is no monitoring of spending levels within the authority to determine any non-compliance with the CPRs. Attempts have been made to address this with the production of regular monthly cumulative spend reports; however, due to workloads it has not been possible to investigate further. An additional resource for procurement has now been appointed and it is intended that this review of cumulative spend be undertaken by this appointee.

5.2.10 An analysis of expenditure within the Council's accountancy system confirmed adherence to the CPRs was in place for the majority of high value expenditure, which had either been subject to a tendering exercise (by the Council or as part of a separate framework agreement) or were exempt from standing order rules (for example payments to neighbouring authorities).

5.2.11 However, there were instances identified where providers have been used for a considerable length of time, resulting in potential breaches of the CPRs limitations. This issue has been identified in a number of other Internal Audits. This increases the risk the Council is being over-charged for services (though not necessarily fraudulently).

5.2.12 Non-compliance to CPRs also exposes the council to a number of other risk areas, including value for money concerns, potential challenges from competitors and limited assurances over regulatory compliance due to an absence of up to date contractual agreements.

Recommendation 7 – Adherence to contract procedure rules should be monitored and challenged on a regular basis.

5.2.13 Controls are in place to help reduce the risk of price fixing. The Council benchmarks tender submissions to an anticipated budget and performs basic checks on all submitted tender documents. The Council also encourages a culture of open application, meaning any organisation can submit a tender, reducing the risk of the market being controlled by a handful of providers. All organisations submitting a tender via the e-tendering portal are required to sign a certificate of non-collusion.

5.2.14 Adherence to financial regulations, including appropriate authorisation of payments and checks to prevent fraudulent changes to bank accounts is included in Internal Audit's regular review of Creditor Payments (due to be delivered during 2021/22).

5.2.15 The Counter-fraud policy requires all Council officers to declare any conflicts of interest to their line manager. As Carlisle is a relatively small populace, there is an increased risk that Council officers have close ties to potential suppliers of goods and services to the Council.

5.2.16 A related party transactions declaration is in place for some senior officers to complete, but this process is designed to ensure compliance with accountancy standards and therefore only requests any realised conflicts, rather than potential. Additionally, only certain officers are required to complete these forms and does not include all officers with fiscal responsibility.

5.2.17 Some departments have formal friends and family policies in place, but this is currently at the discretion of the Service Manager.

5.2.18 It would be repetitive and potentially inefficient to require all officers with fiscal responsibility to fill in additional forms. The best approach would be for officers to receive regular reminders to declare any potential conflicts of interest to their line manager.

Recommendation 8 – A Regular reminder should be issued to all staff with fiscal responsibility to declare potential conflicts of interest to their line manager.

5.2.19 A gifts and Hospitality register is in place to ensure all officers and members declare any gifts received from third parties. The process is well established and is working well. The number of entries in the register has significantly reduced as a result of the pandemic, as less face to face time is in place between council representatives and third parties, reducing the ability to provide gifts and hospitality.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – The Council should ensure Contract Procedure Rules are updated on a regular basis.	Medium	CPRs do not reflect processes in place.	Contract Procedure Rules will not be updated for the City Council due to LGR. New CPR's for Cumberland Council will be developed in line with a new constitution. Issues identified in audit will be passed to officers responsible for preparing new rules.	Head of Financial Services	31 March 2023
Recommendation 2 – The Council should regularly review all relevant policies and procedures against current developments within the procurement fraud risk environment.	Medium	No policy to manage contemporary issues within risk environment.	A review process will be established to ensure any risks that are highlighted for procurement fraud can be measured	Head of Financial Services	30/09/22
Recommendation 3 – Training and/or information should be provided to budget holders to help maintain awareness of current procurement fraud issues	Medium	Responsible officers unaware of current developments and issues within risk environment	A process will be investigated to determine how best to disseminate information of current procurement fraud issues to service managers	Head of Financial Services	30/09/22

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 4 – A process should be put in place to ensure the procurement fraud risk environment is closely monitored and consideration should be given to including management of this risk within the Council's operational risk registers	Medium	Limited awareness and failure to manage new and emerging risks	Inclusion of procurement fraud in the operational risk register for finance will be considered	Head of Financial Services	30/09/22
Recommendation 5 – Recruitment processes should be adhered to, including the collection of appropriate references.	Medium	Council employs individual previously engaged in unethical or fraudulent behaviour.	To revisit process with team and instigate monitoring with immediate effect. Additional resourcing to be identified to support role.	Head of HR and Payroll	25/05/22
Recommendation 6 – The Council should consider whether posts attracting a degree of fiscal responsibility should be subject to disclosure checks.	Medium	Council employs individual previously engaged in unethical or fraudulent behaviour.	All new employees offered roles from 1 st June will be subject to basic disclosure checks as minimum.	Head of HR and Payroll	1/06/22

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 7 – Adherence to contract procedure rules should be monitored and challenged on a regular basis.	High	Value for money not attained / challenge from competitors / failure to meet legal & regulatory obligations	A process will be put in place whereby aggregated spend with suppliers is monitored on a regular basis and compared to the contracts register. Where no contract exists, the manager will be informed and asked to consider whether a formal procurement process is required	Head of Financial Services	30/09/22
Recommendation 8 – A Regular reminder should be issued to all staff with fiscal responsibility to declare potential conflicts of interest to their line manager	Medium	Conflicts of interest	A reminder will be issued to all staff with budget responsibility to report any conflicts of interest to their line manager	Procurement and Insurance Officer	30/06/22

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Carlisle City Council

Report to Audit Committee

Item
A.3

Report details

Meeting Date:	8 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes/No
Public / Private	Public
Title:	INTERNAL AUDIT ANNUAL REPORT 2021/22
Report of	DESIGNATED HEAD OF INTERNAL AUDIT
Report Number	RD 22/22

Purpose / Summary:

This report provides a summary of the outcomes of the work undertaken by Internal Audit for Carlisle City Council in 2021/22 and includes the Designated Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

Recommendations:

Members are requested to note

- (i) The progress achieved in 2021/22 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at **Appendix A**;
- (ii) The Designated Head of Internal Audit's opinion of **reasonable assurance** on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2022;
- (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
- (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
- (v) The performance of the Internal Audit service as shown at **Appendix B**;

Tracking

Audit Committee	8 July 2022

1. Background

- 1.1 Local Authorities are required to make proper provision for internal audit in line with the Local Government Act 1972. The Accounts and Audit Regulations 2015 require that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS).
- 1.2 Internal Audit is responsible for providing independent assurance to the Council's Senior Management and to the Audit Committee on the systems of governance, risk management and internal control.
- 1.3 It is the responsibility of management to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls operate effectively.

2. Internal Audit Opinion

- 2.1 The purpose of this report is to give my opinion as the Designated Head of Internal Audit on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2022. This annual opinion is a requirement of the PSIAS.
- 2.2 This report is a key contributor to the Council's Annual Governance Statement.
- 2.3 In giving this opinion it should be noted that assurance can never be absolute and it is not possible to give complete assurance. My opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of any follow up work undertaken.
- 2.4 I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also confirm that in making this opinion I do not see any reason, based upon the completed audit work in year, that I need to report any limitation in scope.

2.5 In my opinion, based on the completed audit work, the overall framework of governance, risk and internal control is **reasonable** and audit testing has confirmed that controls are generally working effectively in practice, although as detailed below there are specific control concerns in relation to ICT services and general concerns about Council resources.

2.6 The internal audit team have been working from home for the full year and have delivered audits mainly through remote contact with auditees. The team have had a long-term sickness absence for a significant portion of the year, but have still completed 26 of the 32 (81%) proposed reviews within the plan.

2.7 At the end of the year, the Audit Services Manager resigned to take up a joint position with Allerdale and Copeland. With the impending move to LGR, an agreement was reached that allowed a sharing of the Manager resource with both authorities and this was communicated to the Committee in March.

3. Significant issues (ICT Services)

3.1 Concerns around ICT controls due to various vacancies within the department, including the Head of Service and limited progress in implementing historic recommendations was first raised in 2019/20.

3.2 These concerns remain for 2021/22. The team has continued to run at approximately half capacity during the year and the Head of Service post remained vacant due to maternity leave. Recruitment exercises to key posts were not successful. This has limited the team's ability to address outstanding actions, resulting in the limited progress identified in the formal follow-up of outstanding recommendations within ICT Services.

3.3 The team's limited resources has impacted on its ability to proactively manage cyber-security threats, whilst the threat of an attack continues to increase. Cyber Security remains one of the top global risks for all organisations. An audit of cyber security in the year provided partial assurances, which has been linked to the resource shortages within the team and the reactive nature of subsequent service provision as a result. The report also acknowledges the hard work, knowledge and dedication of the service.

3.4 The impact of Local Government Re-Organisation continues to be a particular pressing resource issue for ICT Services as the service area is fundamental to ensuring a safe and legal transition to the new councils.

- 3.5 Internal Audit will continue to work closely with the team to progress implementation of outstanding recommendations and devise a new assurance programme going forward into 2022/23.

4. Significant issues (Other)

- 4.1 Various resource pressures continue to impact on the Council's potential to adequately manage its risk environment.
- 4.2 Local Government Re-Organisation has had a significant pull on senior and service manager's time. Further resource demands to process payments to the public in respect of the pandemic and more recently the cost-of-living payments and significant ongoing projects also contribute towards these resource pressures.
- 4.3 There is a risk that managers are required to prioritise workloads, resulting in the potential for established controls to be missed or circumvented.
- 4.4 These additional pressures have also notably reduced client engagement with Internal Audit, with many teams struggling to respond to requests for information.
- 4.5 These issues have been exacerbated further due to shortages within the recruitment market, which has seen a number of key posts in the authority vacated in the last 12 months with difficulties in replacing these posts (partly due to uncertainty around local government re-organisation).

5. Independence

- 5.1 I can confirm that Internal Audit has maintained its independence during the year. In my dual role as Head of Financial Services and Designated Head of Internal Audit I can confirm that my independence and that of Internal Audit has not been in any way diminished by this working arrangement (the External Quality Assessment (Apr 2018) and annual self-assessment (June 2022) confirmed that suitable arrangements are in place to maintain audit independence). Where necessary, audit reports in relation to financial services activities have been reviewed by the Principal Auditor, and all findings reported to the Corporate Director of Finance and Resources where necessary.

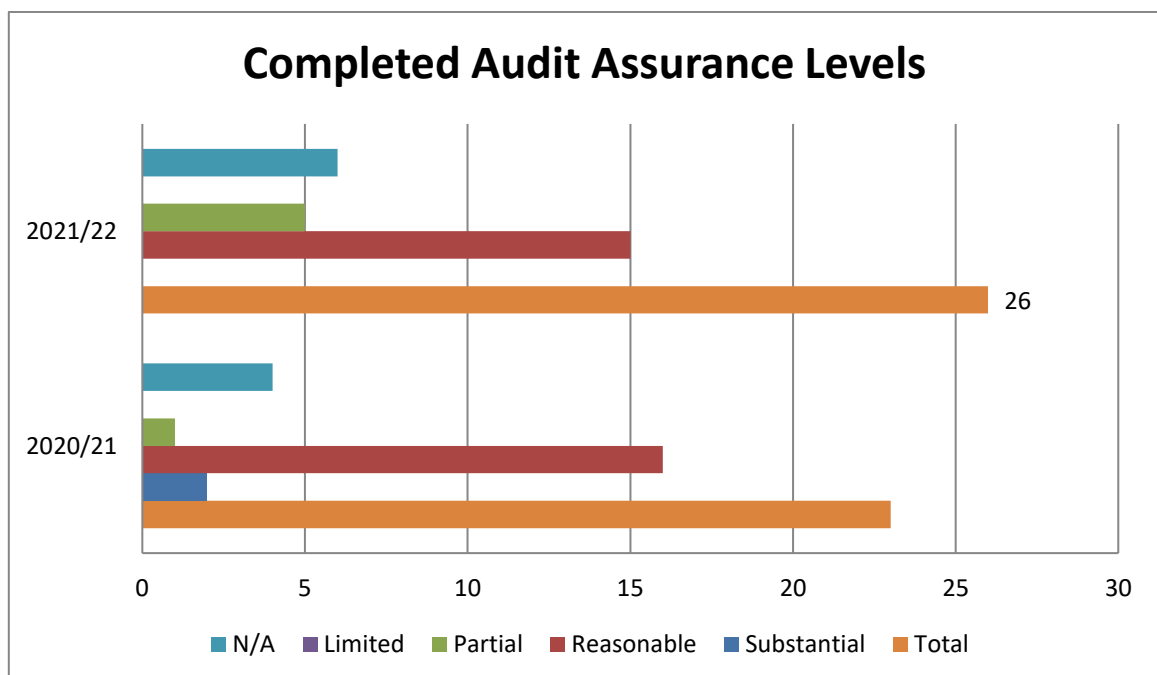
6. Internal Audit Coverage and outcomes

- 6.1 The Internal Audit Plan was approved by the Audit Committee at its meeting on 15 March 2021 and included 29 planned reviews. As a result of changes in the risk and assurance environment, disruption as a result of the pandemic, vacancies and a long-term absence in the team the following amendments were made to the plan during the year.

- Carry Forward Neighbourhood Services Culture Review (approved 8 July 2021)
- Carry Forward Community Centres Review (approved 8 July 2021)
- Carry Forward Property Income Review (approved 8 July 2021)
- Include review of Corporate Governance Internal Controls (approved 8 July 2021)
- Remove review of Street Cleaning (approved 8 July 2021)
- Defer follow-up review of Absence Management (approved 8 July 2021)
- Include follow-up review of ICT Recommendations (approved 8 July 2021)
- Include review of National Fraud Initiative (approved 8 July 2021)
- Defer review of Fleet Management Strategy (approved 10 December 2021)
- Remove review of Job Evaluation (approved 10 December 2021)
- Remove review of Advice Agencies (approved 10 December 2021)
- Remove consultancy review of e-purchasing (approved 10 December 2021)
- Remove review of building maintenance (requested 8 July 2022)

6.2 Following these changes there were 26 planned reviews in the revised 2021/22 plan. It is my opinion that sufficient audit work has been completed that I may provide an overall audit opinion.

6.3 Of the 26 completed audits, the overall assurances are as follows:



6.4 The table at **Appendix A**, provides the detail of the Audit work completed and shows when reports were considered by the Audit Committee.

6.5 The following unplanned work was also undertaken and considered as part of internal audit's opinion:

- Completion of annual self-assessment and review of audit manual and working papers to update working practices;
- Annual self-assessment of compliance with Public Sector Internal Auditing Standards.
- Audit advice to risk register owners to help improve consistency with completion of risk registers.
- Audit advice to Human Resources in relation to receiving confidential information from external providers.
- Certification audit in accordance with funding requirements for Central Government grant to support Compliance and Enforcement of Covid-19 regulations.
- Confidential fraud investigation (ongoing)
- Audit advice to Accountancy Services in relation to proposed changes to systems and processes following removal of cheque printing facility.
- Audit advice to Revenues and Benefits in relation to implementing controls in relation to the Council Tax rebates following issue of government guidance
- Attendance at LGR workshops relating to Internal Audit service provision

7. Other Assurances

7.1 The Council also receives assurance from other sources and during 2021/22 the following assurances to the way the Council operates have been provided:

- LEXCEL Accreditation (Legal Services)
- Public Sector Network ICT Health Check
- Benefit Advice Service (External Assessment)
- Internal work performed by Council's Safety, Health & Environmental Manager and Information Governance Manager
- Attendance at monthly management briefings, regular staff briefings and corporate communications
- Regular summary updates of key Council meetings.
- Self-assessment questionnaires completed for both main accounting systems not audited in the year and general directorate assurances.

7.2 The 2020/21 Statement of Accounts were approved in November 2021.

8. Statement of Conformance with Public Sector Internal Audit Standards

8.1 The Internal Audit manual includes a (QAIP) Quality Assurance and Improvement Plan that details how Internal Audit ensure continuous improvement in line with the

Public Sector Internal Audit Standards and a methodology designed to ensure all internal audit work is conducted in accordance with the standards.

- 8.2 All audit work has been conducted in line with the agreed QAIP and Internal Audit work is subject to quality assurance checks by internal audit management, to ensure the approved methodology is followed.
- 8.3 A set of performance indicators was established and agreed by the Audit Committee to enhance performance monitoring arrangements. The Audit Committee has received progress against these performance measures as part of the in-year reporting arrangements and **Appendix B** summarises the year-end performance against these.
- 8.4 The Internal Audit team was subject to an external quality assessment of their compliance with the Public Sector Internal Audit Standards in April 2018. The assessment found that the department conforms with all the standards. Recommendations made following this review have all since been implemented and the department continue to perform annual self-assessments against the standards and have adopted a continuous improvement register to identify areas for further development, which will be progressed on a regular basis and reported to the Audit Committee.

9. Conclusion and reasons for recommendations

- 9.1 Internal Audit work has been carried out in accordance with the mandatory standards for internal audit.
- 9.2 The work of internal audit is considered to be sufficient to provide an overall opinion on the systems of governance, risk management and internal control
- 9.3 Internal audit has maintained its independence in order to provide a fair and objective annual opinion statement
- 9.4 The annual opinion has concluded **reasonable** assurance over the systems of governance, risk management and internal control.

10. Contribution to the Carlisle Plan Priorities

- 10.1 Internal Audit provides independent assurance on the Council's arrangements for governance, risk management and internal control in support of delivery of the Council's strategic priorities

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- **Appendices attached to report:**
 - Appendix A – Summary of Internal Audit Work**
 - Appendix B – Internal Audit Performance 2021/22**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**
 -

CORPORATE IMPLICATIONS:

Legal - The legislative background is helpfully set out in section 1 of the report. The PSIAS requires the Designated Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Property Services – None

Finance – Contained in the report

Equality – None

Information Governance - None

CARLISLE CITY COUNCIL - AUDIT WORK 2021/22

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services	MFS	Internal Control Questionnaires - Non Audited Systems	2	2	Final	N/A	N/A	
Health & Well-being	VFM	Small grant payments (Community Services)	10	9	Final	Sep 21	Reasonable	
Council-wide	Governance	Good Governance Principles / Local Code of Conduct	5	8	Final	N/A	N/A	
Health & Well-being	Directorate	Community Centres	20	22	Final	Sep 21	Reasonable	
Council-Wide	Corporate	Environmental Strategy	20	22	Final	Dec 21	Reasonable	
Neighbourhood Services	Directorate	Neighbourhood Services (Culture Review)	15	27	Final	Dec 21	Partial	
Council-Wide	Counter-Fraud	Annual fraud review	5	5	Final	Dec 21	N/A	
Regulatory Services	Directorate	Disabled Facilities grants	10	11	Final	Dec 21	Reasonable	
Council-Wide	Corporate	Corporate Internal Controls	5	5	Final	Dec 21	Reasonable	
Organisation Development	Directorate	Workforce Development and Training (inc Workforce Strategy and e-learning)	20	21	Final	Mar 22	Reasonable	
Financial Services	MFS	Financial Services Governance Arrangements	5	5	Final	Mar 22	Reasonable	
Revenues and Benefits	Counter-Fraud	Covid Grants	20	22	Final	Mar 22	Partial	
Council-Wide	Corporate	Scheme of delegation	5	5	Final	Mar 22	N/A	
Property Services	Directorate	Property Income	15	23	Final	Jul 22	Partial	
Community Services	Directorate	Sands Centre Redevelopment	20	24	Final	Jul 22	Reasonable	
Revenues & Benefits	MFS	Council Tax	20	21	Final	Jul 22	Reasonable	
Council-Wide	Counter-Fraud	National Fraud Initiative	10	10	Final	Jul 22	N/A	
Council-Wide	Consultancy	Business Continuity & Emergency Planning	10	4	Final	Jul 22	N/A	

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Neighbourhood Services	Directorate	Recycling (Perf Info)	10	23	Final	Jul 22	Reasonable	
Development Control	Directorate	Development Control (Complaints procedure)	10	10	Final	Jul 22	Reasonable	
Development Control	Directorate	Future High Street Fund	15	15	Final	Jul 22	Reasonable	
Financial Services	MFS	Creditors (including cheque control)	15	15	Final	Jul 22	Reasonable	
Financial Services	MFS	Main Accounting System & Budget Monitoring (inc MTFP)	15	16	Final	Jul 22	Reasonable	
ICT	Follow Up	ICT Recommendations	5	5	Final	Jul 22	Partial	
Financial Services	Counter-Fraud	Procurement review	10	10	Final	Jul 22	Reasonable	
Digital Services	Directorate	Cyber-Security	20	20	Final	Jul 22	Partial	
Property	Directorate	Building Maintenance	20	0	Mgmt request	Jul 22		
Follow-up contingency			30	29				
Counter Fraud Contingency			10	10				
Advice & Guidance Contingency			10	8				
Contingency (2020.21)			36	51				
Audit Committee			16	20				
Planning & Management			55	69				
OVERALL TOTAL			494	547				

CARLISLE CITY COUNCIL
INTERNAL AUDIT PERFORMANCE 2021/22

Indicator	Target 20/21	Actual 20/21	Target 21/22	Actual 21/22	Commentary
Planned Audits Completed	90%	88%	90%	81%	
Draft Reports issued by agreed deadline	80%	59%	80%	52%	Covid-19 delays (including vacancy and absence)
Timely issue of Final Reports	90%	95%	90%	100%	
Recommendations agreed	90%	100%	95%	100%	
Assignment completion within allocated resource	60%	58%	60%	65%	
Customer satisfaction survey feedback (scored as good)	90%	100%	90%	100%	
Efficiency (Chargeable time)	80%	69%	80%	80%	Covid-19 delays and recruitment
Recommendations implemented	80%	56%	35%	TBC	Covid-19 delays

Carlisle City Council

Report to Audit Committee

Item
A.4

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance & Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	INTERNAL AUDIT COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (SELF-ASSESSMENT)
Report of:	CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number:	RD25/22

Purpose / Summary:

This report introduces Internal Audit's self-assessment of compliance with the Public Sector Internal Auditing Standards for 2021/22.

Recommendations:

The Committee is requested to

- i) note the findings and improvement actions outlined in the self-assessment (Appendix A)

Tracking

Executive:	8 July 2022
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. The Public Sector Internal Audit Standards were introduced in 2013 and last revised in 2017. The Standards reflect the mandatory elements of the Institute of Internal Audit's International Professional Practices Framework (IPPF), which defines the principles and standards required of Internal Auditors. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector

1.2. As well as defining Internal Auditing the standards include the following elements:

- Core Principles
- Code of Ethics (Covering the four expected principles: Integrity, Objectivity, Confidentiality & Competence)
- Attribute Standards
- Performance Standards

1.3. The standards include the necessity for a quality assessment of compliance to the standards by a competently qualified external inspector every five years, supplemented by annual self-assessments.

2. Self Assessment (2021/22)

2.1 The Internal Audit team was subject to an external quality assessment of their compliance with the Public Sector Internal Audit Standards in April 2018. The assessment found that the department conforms with all the standards. Recommendations made following this review have all been implemented.

2.2 The department have also performed annual self-assessments against the standards using a CIPFA checklist. Result of the assessment are included at Appendix A. The assessment includes improvement points which will be implemented during 2022/23.

3. Risks

3.1 The self-assessment provides assurance and improvement points to ensure Internal Audit remain effective and deliver an appropriate independent service.

4. Consultation

4.1 Not applicable

5. Conclusion and reasons for recommendations

5.1 The Committee is requested to

- ii) note the findings and improvement actions outlined in the self-assessment (Appendix A)

6. Contribution to the Carlisle Plan Priorities

8.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- Appendix A – Internal Audit Self-Assessment 2021/22

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal – None.

Property Services -None

Finance -Contained within the report

Equality -None

Information Governance- None

Carlisle City Council Internal Audit (Self-Assessment 2021-22)

1 Definition of Internal Auditing			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
<p>Using evidence gained from assessing conformance with other Standards, is the internal audit activity:</p> <p>a) Independent b) Objective</p>	<p>Yes Yes</p>	<p>Independence & Objectivity defined within the Internal Audit Charter.</p> <p>Risk Based Audit Methodology designed to ensure both characteristics are achieved by the department (accounting for potential conflicts noted in annual declarations of interest).</p>	
<p>Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?</p>	<p>Yes</p>	<p>Risk Based Audit Methodology, established templates, QAIP and control sheets in place to ensure consistent, systematic approach.</p> <p>Supervision in place (as defined within the methodology) to support consistency. Supervision check-list included to enhance consistent approach</p>	
2 Code of Ethics			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
<p>Integrity: Using evidence gained from assessing conformance with other Standards, do internal auditors:</p> <p>a) Perform their work with honesty, diligence and responsibility? b) Observe the law and make disclosures expected by the law and the profession? c) Not knowingly partake in any illegal activity nor engage in in acts that are discreditable</p>	<p>Yes</p>	<p>Ethical standards form key element of Audit Charter, with controls in place as part of methodology.</p> <p>Integrity values and requirement to keep to the law form part of Officer's Code of Conduct for all City Council employees (based on the Nolan Principles).</p> <p>Disclosure checks for all Internal Auditors.</p> <p>Declarations of interest in place and updated annually.</p>	

to the profession of internal auditing or to the organisation? d) Respect and contribute to the legitimate and ethical objectives of the organisation?			
<p>Objectivity: Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <p>a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</p> <p>b) Accepting anything that may impair or be presumed to impair their professional judgement?</p> <p>c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</p>	Yes	<p>Objectivity forms key element of Audit Charter. with controls in place as part of methodology.</p> <p>Integrity values and requirement to keep to the law form part of Officer's Code of Conduct for all City Council employees (based on the Nolan Principles).</p> <p>Disclosure checks for all Internal Auditors.</p> <p>Declarations of interest form in place and updated annually.</p> <p>Council has gifts and hospitality register, which Internal Audit staff use when necessary (0 instances in 2021/22).</p>	
<p>Confidentiality: Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</p>	Yes	<p>All information only used for Internal Audit purposes (all electronic documentation stored on shared audit drive, with access restricted to Internal Audit staff, paperless office in place with desks clear of confidential documents (in line with Council policy))</p> <p>Internal Audit staff all received training on data protection requirements as part of Corporate Induction and work closely with the Information Governance Manager.</p>	
Competency: Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:	Yes	Required skills and experience defined within job descriptions.	Audit library to be developed to be more user friendly, with

<p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p>		<p>Audit methodology in place to guide process, supplemented by audit library and supervision.</p> <p>Quality assurance and Improvement Programme in place and annual appraisals to identify and action any learning gaps.</p> <p>Audit control process includes continual improvement (supervisor, audit lead and client feedback).</p> <p>Audit library and other research material available to help avoid learning gaps.</p> <p>EQA performed every 5 years (April 2018) and annual self-assessment of conformance with PSIAS undertaken by Audit Services Manager.</p>	<p>greater referencing within supervisor brief.</p>
<p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	<p>Yes</p>	<p>Quality assurance processes in place and annual appraisals to identify and action any learning gaps. Training resource in place. Audit Services Manager currently undertaking CIA qualification and Senior Auditor undertaken CIPFA qualification.</p> <p>Audit control process includes continual improvement (supervisor, audit lead and client feedback) and weekly one to ones held with team members. Continuous improvement register introduced in 2020/21 to help capture and review all changes to audit process.</p> <p>EQA performed every 5 years, with regular review of conformance with PSIAS undertaken by Audit Services Manager (annual review of self-assessment).</p>	<p>Template form to be embedded for greater documentation of 1:1 supervision (In place for 22/23)</p>

Do internal auditors have regard to the on Standards of Public Life's Seven Principles of public life?	Yes	Integrity values and requirement to keep to the law form part of Officer's Code of Conduct for all City Council employees (based on the Nolan Principles).	
1 Definition of Internal Auditing			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
<p>Does the internal audit charter include a formal definition of:</p> <ul style="list-style-type: none"> a) The purpose b) The authority and c) The responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards 	Yes	All areas defined within Audit Charter.	
<p>Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>	Yes	Defined in paragraph 1.6 of Audit Charter.	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> a) Set out the internal audit activity's position within the organisation? b) Establish the CAE's functional reporting relationship with the board? c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? 	Yes	Section 8 of Audit Charter	

<p>d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?</p> <p>e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p> <p>f) Define the scope of internal audit activities?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Paragraph 10.1 of Audit Charter</p> <p>Paragraph 6.1 of Audit Charter</p> <p>Section 7 of Audit Charter</p>	
<p>g) Recognise that internal audit's remit extends to the entire control environment of the organisation?</p> <p>h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?</p> <p>i) Establish the organisational independence of internal audit?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Section 3 of Charter</p> <p>Section 3 of Charter</p> <p>Section 9 of Charter</p>	
<p>j) Cover the arrangements for appropriate resourcing?</p> <p>k) Define the role of internal audit in any fraud-related work?</p> <p>l) Set out the existing arrangements within the organisation's antifraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?</p> <p>m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?</p> <p>n) Define the nature of assurance services provided to the organisation, as well as</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Paragraph 9.6 of Charter</p> <p>Paragraph 9.11 of Charter</p> <p>Paragraph 9.11-9.13 of Charter</p> <p>Paragraph 9.14 of Charter, with further controls included in Audit methodology.</p> <p>Throughout Charter and methodology.</p> <p>Paragraph 9.14-9.15 of Charter</p> <p>Paragraph 9.2 of Charter</p>	

<p>assurances provided to parties external to the organisation?</p> <p>o) Define the nature of consulting services?</p> <p>p) Recognise the mandatory nature of the PSIAS?</p>			
Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	Yes	Reviewed annually – last approved by Audit Committee 17 March 2022.	
Does the CAE attend audit committee meetings?	Yes	Both Designated Head of Internal Audit and Audit Services Manager attend Audit Committee meetings – see minutes.	
Does the CAE contribute to audit committee agendas?	Yes	Both Designated Head of Internal Audit and Audit Services Manager receive draft agenda and contribute towards items – see e-mails.	
Does the CAE have direct and unrestricted access to senior management and the board?	Yes	<p>Yes – Designated Head Internal Audit reports directly to Director of Finance & Resources (member of Senior Management Team). Audit Services Manager also has direct access to Chief Exec and Audit Chair (to ensure independence due to Head of Internal Audit's dual role)</p> <p>Direct meetings held with SMT members at least annually and take place more frequently as required (and are required to contribute towards all audit engagements and planning)</p>	
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	Yes	<p>CAE and Audit Services Manager have direct access and meet with Chief Executive and Chair of Audit Committee as required.</p> <p>Briefing meetings between Internal Audit, Director of Finance and Resources and Chair of Audit Committee held quarterly (prior to Audit Committee)</p>	

<p>Are threats to objectivity identified and managed at the following levels:</p> <p>a) Individual auditor? b) Engagement? c) Functional? d) Organisation?</p>	Yes	<p>Declarations of interest in place with mitigating actions defined where necessary.</p> <p>Audit Charter and Methodology includes controls to manage dual roles of Designated Head of Internal Audit.</p> <p>Audit methodology includes controls to manage any other conflicts of interest identified during engagements.</p>	
Does the CAE report to an organisational level equal or higher to the corporate management team?	Yes	CAE reports directly to Director of Finance & Resources (SMT) – Structure / Job Description.	
Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	Yes	<p>CAE reports directly to Director of Finance & Resources(SMT) – Structure / Job Description.</p> <p>Both CAE and Audit Services Manager have direct access to CEO and Chair of Audit Committee.</p>	
<p>Have reporting and management arrangements been put in place that preserves the CAE's independence and objectivity?</p> <p>This is of particular importance when the CAE is line managed by another officer of the authority.</p>	Yes	<p>Internal Audit report findings reported directly to Audit Committee.</p> <p>Both CAE and Audit Services Manager have direct access to Chief Executive and Chair of Audit Committee</p> <p>Audit Charter & Methodology includes controls to manage dual roles of Designated Head of Internal Audit and preserve integrity of the audit team.</p>	

<p>Does the CAE's position in the management structure:</p> <p>a) Reflect the influence he or she has on the control environment?</p> <p>b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</p> <p>c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</p>	Yes	Yes. CAE reports directly to SMT. Audit Services Manager has direct access to Chief Executive if required to raise concerns (documented in Charter)	
<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p> <p>The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:</p> <p>The board:</p> <p>a) approves the internal audit charter</p> <p>b) approves the risk-based audit plan</p> <p>c) approves the internal audit budget and resource plan</p>	Yes	Charter and plan (including resource) both approved by Audit Committee annually – last reviewed 17 March 2022.	
<p>d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)</p>	Yes	Quarterly progress reports to the Audit Committee including progress against plan and performance against suite of approved performance indicators (also reported as part of Council's performance management framework).	
<p>e) approves decisions relating to the appointment and removal of the CAE</p>	Partial	In reality CAE appointed by Council; however, annual charter approved annually. Audit Committee responsible for approving move to in-house team from 2017/18.	

f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	Yes	Audit Committee approve annual plan, including available resource. All audit reports reported to Audit Committee when finalised, so opportunity to challenge scope limitations in place.	
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	Partial	Performance appraisal of CAE by S151 Officer (Line Manager). CEO has input into IA activity through regular liaison.	
Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Partial	No direct feedback – but performance of the Internal Audit department reviewed by Audit Committee (including Key Performance Indicators)	
1111 Direct Interaction with the Board			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the CAE communicate and interact directly with the board?	Yes	Regular reporting to Audit Committee and briefing meetings with Chair and Vice-Chair.	
1120 Individual Objectivity			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Do internal auditors have an impartial, unbiased attitude?	Yes	Independence & Objectivity defined within the Internal Audit Charter (section 9). Adherence monitored as part of supervision process.	
Do internal auditors avoid any conflict of interest, whether apparent or actual?	Yes	Declarations of interest in place. Audit Methodology includes controls to manage dual roles of Designated Head of Internal Audit (CAE).	
1130 Impairment to independence or objectivity			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of	Yes	Declarations of interest in place.	

the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?		Audit Methodology includes controls to manage dual roles of Designated Head of Internal Audit (CAE). Gifts & Hospitality declarations made when required.	
Have internal auditors assessed specific operations for which they have been responsible within the previous year?	Yes	No specific operations identified for Internal Audit Team (All employed externally, with no previous responsibility for processes at Carlisle City Council or partnership organisations). Audit Methodology includes controls to manage dual roles of Designated Head of Internal Audit (CAE).	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	Yes	Audit Charter & Methodology includes controls to manage dual roles of Designated Head of Internal Audit (CAE) (Paragraph 16.5). All relevant work carried out and reviewed without CAE involvement (any material amendments requested reported to Audit Committee – no instances in 2021/22).	
Are assignments for on- going assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	Yes	No formal rotation in place, but small team and duties are rotated on an ad-hoc basis. No concerns raised regarding over familiarity.	
Have internal auditors declared interests in accordance with organisational requirements?	Yes	Declarations of interest in place.	
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	Yes	Council has gifts and hospitality register (0 declarations for Internal Audit in 2021/22).	

Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	Yes	No instances identified.	
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	Yes	Declarations of interest in place, updated annually.	
Have internal auditors complied with the Bribery Act 2010?	Yes	Yes – covered by Code of Conduct and gifts and hospitality register.	
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	Yes	Declarations of interest in place – any potential or perceived conflicts would be addressed prior to assigning consultancy work within the team.	
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	Yes	All formal consultancy work approved by Audit Committee. All informal consultancy work (audit advice) reported to Audit Committee as part of monitoring reports. Audit advice reported to Audit Committee and recorded on register.	
1200 Proficiency and Due Professional Care			
1210 Proficiency			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	Yes	CAE – CIPFA qualified. Audit Services Manager – PIIA qualified (studying MIIA)	
Is the CAE suitably experienced?	Yes	CAE experienced in Internal Audit (9 years) Audit Services Manager experienced in Internal Audit (12 years)	

Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	Yes	Skills and experience required included in job descriptions. Internal; Audit team all experienced Internal Auditors.	
Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Yes	Yes, relevant job descriptions in place.	
Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	Yes	All experienced Internal Auditors with relevant qualifications and experience.	
Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	Yes	External assistance obtained where relevant, either through online guidance (if general advice) or procurement of specialist work if required (team have previously employed ICT specialist).	
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Yes	<p>Audit Services Manager experienced in identifying fraud and fraud risk. Internal Audit team experienced in carrying out fraud investigations and have received relevant training.</p> <p>Audit Services Manager delivers regular anti-fraud training to other Council Officers.</p> <p>Annual self-assessment of fraud in place against best practice.</p>	

Do internal auditors have sufficient knowledge of key information technology risks and controls?	Yes	Audit library in place if further information required.	Audit library to be developed to be more user friendly, with greater referencing within supervisor brief.
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Partial	CAAT currently not deemed appropriate for small team, but team is experienced in use of relevant IT software and adopts as necessary. Further development under consideration.	Annual formal assessment of CAATS identified as improvement area (review to be documented in 21/22 but unlikely to utilise CAATs).
1220 Due Professional Care			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Do internal auditors exercise due professional care by considering the: a) Extent of work needed to achieve the engagement's objectives? b) Relative complexity, materiality or significance of matters to which assurance procedures are applied? c) Adequacy and effectiveness of governance, risk management and control processes? d) Probability of significant errors, fraud, or non-compliance? e) Cost of assurance in relation to potential benefits?	Yes	Guidance available through audit methodology and template folders. Audit brief and Scoping carried out for all audit reviews to ensure relevant objectives are understood. Formal supervisor brief completed for all reviews.	
Do internal auditors exercise due professional care during a consulting engagement by considering the a) needs and expectations of clients, including the nature, timing and communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits?	Yes	All audits subject to time constraints and scoping so that requirements are understood. Timeliness of reporting embedded in audit methodology and measured by performance indicators. Client feedback obtained as part of continuous improvement programme.	

		Added value of assignment determined in planning stages and monitored at early stages of review to ensure still relevant.	
1230 Continuing Professional Development			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE defined the skills and competencies for each level of auditor?	Yes	Skills and competencies reviewed as part of each audit engagement (continuous improvement) and annual team appraisal.	
Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Yes	Skills and competencies reviewed as part of each audit engagement (continuous improvement) and any development areas identified with agreed actions. Annual appraisal process in place to review performance.	
Do internal auditors undertake a programme of continuing professional development?	Yes	Audit Services Manager communicates relevant professional information to team. CPD documented in QAIP (annual report of QAIP outcomes to be issued by Audit Services Manager to CAE for inclusion in annual report).	
Do internal auditors maintain a record of their professional development and training activities?	Yes	Record of training undertaken recorded in QAIP.	
1300 Quality Assurance and Improvement Programme			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	Yes	Plan in place, updated annually, including performance against previous years.	

Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	Yes	Audit methodology includes feedback from supervisor, audit lead and client.	
Does the CAE maintain the QAIP?	Yes	Plan in place for 2020/21, reviewed as part of annual refresh..	Development of QAIP.
If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	Yes	Self assessment updated on an annual basis.	
1310 Requirements of the Quality Assurance and Improvement Programme			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the QAIP include both internal and external assessments?	Yes	Yes, both included.	
1311 Internal Assessments			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Yes	Delegation delivered by Audit Services Manager who has understanding of team's strength, abilities and knowledge.	
Do internal assessments include ongoing monitoring of the internal audit activity, such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	Yes	Routine quality monitoring in place for every individual engagement. Weekly one to one discussion with team members. Annual self-assessment of adherence to PSIAS in place. Last reviewed June 2022.	
Does on - going performance monitoring include comprehensive performance targets?	Yes	KPI measures in place, reviewed quarterly and presented to Audit Committee.	

Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Yes	Issued to Audit Committee for annual approval.	
Does the CAE measure, monitor and report on progress against these targets?	Yes	Progress reported to Audit Committee on a quarterly basis. KPI also reported as part of Corporate Performance Monitoring arrangements. Progress against plan monitored in one to one meetings between CAE and Audit Services Manager	
Does ongoing performance monitoring include obtaining stakeholder feedback?	Yes	Client satisfaction surveys issued for all audit engagements (see methodology)	
Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	Yes	Self-assessment carried out by Audit Services Manager. EQA performed in April 2018.	
Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	Yes	Progress against the plan reported quarterly (including relevant KPI).	
1312 External Assessments			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	Yes	EQA last performed in April 2018.	
Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	Yes	Considered as part of procurement exercise. Full assessment delivered for 2018 review as team was new.	

Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	Yes	Reported to Audit Committee in January 2018.	
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	Yes	Director of Finance and Resources involved in procurement exercise. Audit Committee reviewed and approved appointment.	
Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	Yes	Reviewed with provider prior to assessment.	
Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (ie the public sector) d) industry (ie local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.	Yes	Relevant information provided as part of procurement exercise. Assessor chosen based on competencies and experiences demonstrated in bid.	
How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	Yes	Yes, formal procurement exercise undertaken, with consideration given to three submissions from qualified and relevant providers.	

Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.	Yes	Yes, considered as part of procurement exercise. No conflicts identified. Recognised national provider of EQA.	
1320 Reporting on the Quality Assurance and Improvement Programme			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE reported the results of the QAIP to senior management and the board? Note that: a) the results of both external and periodic internal assessment must be communicated upon completion	Yes	Outcome of external assessment and QAIP reported to Audit Committee.	
b) the results of ongoing monitoring must be communicated at least annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	Yes	Outcome against recommendations of external assessment to be included in annual report. Annual self-assessments will be reported annually from next year. Action plan in place (see below)	
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	Yes	Recorded in annual report	
1321 Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	Yes	Recorded in annual report.	

1322 Disclosure of Non conformance			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Yes	None identified.	
Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	Yes	None identified.	
4 Performance Standards			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	Yes	Methodology in place to ensure work delivered in line with the charter. Supervision and control sheet process in place to ensure compliance.	
Does the internal audit activity conform with the Definition of Internal Auditing and the Standards?	Yes	Defined in charter and methodology.	
Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the Code of Ethics and the Standards?	Yes	Defined in charter and job descriptions. Line Manager responsibilities in place to monitor adherence.	
Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance? b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	Yes	Defined in charter and methodology.	
2010 Planning			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are	Yes	Priorities defined using planning methodology based on risk-scored methodology designed to highlight risk	

these priorities consistent with the organisation's goals?		areas and consider organisational objectives (including discussions with SMT). Internal Audit plan approved for 2022/23.	
Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	Yes	Annual opinion reported to Audit Committee and fed into Annual Governance Statement. 2021/22 opinion to be reported July 2022.	
Does the risk-based plan take into account the organisation's assurance framework?	Yes	Relevant risks identified from assurance framework and considered as part of planning process and annual opinion. See planning methodology. Some developments of audit universe and collation of assurances developed in 2021/22.	
Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: a) How the internal audit service will be delivered? How the internal audit service will be developed in accordance with the internal audit charter? b) How the internal audit service links to organisational objectives and priorities?	Yes	Audit planning methodology in place, linked to audit charter and methodology.	
Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	Yes	Scoring process in place for monitoring local and national risks, with risk universe in place. Scoring and process defined in audit methodology. Proposed scope included as part of plan (to ensure relevant issues identified are captured)	
In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	Yes	Risks identified as part of risk management process (i.e. risk registers) included as part of planning process. See planning methodology.	

		Current process is focused on Internal Audit's assessment of risk, so not reliant on RM process, but recorded risks considered as part of the scoring process.	
If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	Yes	Risk universe in place to identify and use all identified risks as part of the planning process. As above, current scoring process focused on IA opinion of risk, but some consideration of risks recorded in risk registers.	
Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	Yes	All audit work and resources specified in plan. Each item has a risk score, which defines the relevant priority required, though Internal Audit aim to deliver 100% of the plan in the year. Further direction on priority dictated by relevant ongoing discussions with SMT and the Audit Committee and ongoing monitoring by the Audit Services Manager (flexibility embedded into the planning methodology).	
Does the risk-based plan differentiate between audit and other types of work?	Yes	Categorisation of audit work in place.	
Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	Yes	Defined in the audit methodology. Risk scoring ongoing. Any significant risks will be identified and Audit Committee will be asked to approve amendments to the plan. Risks monitored on an ongoing basis with flexibility embedded into the planning methodology)	

Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	Yes	As above – regular review of risk universe and scoring.	
Is the internal audit activity's plan of engagements based on a documented risk assessment?	Yes	Risk based scoring process in place, as defined in the planning methodology.	
Is the risk assessment used to develop the plan of engagements undertaken at least annually?	Yes	Regular (monthly) risk monitoring and assessment in place, with planning process carried out annually (alongside ongoing monitoring)	
In developing the risk-based plan, has the CAE also considered the following: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, e.g. IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	Yes	Conflicts managed using different members of the team. Specialist ICT work was not considered in 2021/22 as ICT concerns already agreed with Senior Management (would not add further value). Requirement for specialist ICT work recognised and monitored on an ongoing basis. Contingencies in place for all perceived audit work, including fraud investigations and provision of audit advice.	
c) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	Yes	Time in plan for routine administration, attendance of audit committee and planning process.	
Is the input of senior management and the board considered in the risk assessment process?	Yes	At minimum, annual meeting with all SMT to discuss internal audit plan – see planning methodology, but ongoing discussions take place throughout the year.	

Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	Yes	Management expectations will be considered as part of annual opinion.	
Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	Yes	All audit work undertaken including formal consulting assignments, fraud investigations and ad-hoc advice considered as part of overall opinion.	
Are consulting engagements that have been accepted included in the risk-based plan?	Yes	Consultancy engagements included for consideration as part of planning process and contingency in place for consulting engagements if required (also defined in charter and methodology).	
2020 Communication & Approval			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	Yes	Internal Audit plan presented to SMT and approved by Audit Committee on an annual basis.	
Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	Yes	Amendments to plan reported to Audit Committee as and when required.	
Has the CAE communicated the impact of any resource limitations to senior management and the board?	Yes	Performance and mitigating activity reported to Audit Committee as part of progress reports. Guidance received from CIPFA for annual opinion as all public authorities impacted by pandemic.	

2030 Resource Management			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Yes	See planning methodology.	
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	Yes	Yes, timing agreed as part of scoping process. Reasonable adjustments made as and when arising (e.g. delayed due to long term sickness mid audit).	
If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	Yes	Performance and mitigating activity reported to Audit Committee as part of progress reports. Guidance received from CIPFA for annual opinion as all public authorities impacted by pandemic.	
2040 Policies & Procedures			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Yes	Charter, methodology and planning methodology in place and reviewed annually	
Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Yes	Manual in place with methodology and template documents designed in line with PSIAS requirements. Supervisory and control process in place to ensure compliance with approved methodology.	
Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Yes	Amended as required, including full annual review at start of each financial year and ongoing continuous improvement activity.	

2050 Coordination			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Yes	Assurance mapping exercise included as part of planning process. Other sources of assurance would be used for relevant audits if identified. Extent of reliance would be assessed on an individual basis.	Assurance collation currently ad-hoc – process to properly capture assurances to be embedded in methodology and supporting monitoring documents
Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	Yes	Assurance mapping exercise included as part of planning process and referenced in annual opinion.	Assurance collation currently ad-hoc – process to properly capture assurances to be embedded in methodology and supporting monitoring documents
Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	Yes	Regular meetings with External Auditors. Internal Audit part of Risk Management sub-group with other internal assurance functions, so will identify arising issues. Internal Audit work with Insurance, Health and Safety, Performance Monitoring, Corporate Governance, Information Governance, ICT and Procurement functions as part of individual engagement process.	No sub-group meetings took place in year. To be reintroduced from 22/23.
Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	Yes	Regular meetings, including annual presentation of Internal Audit report.	Redmond review identified need for closer liaison between internal and external audit.
2060 Reporting to Senior Management and the Board			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the CAE report periodically to senior management and the board on the internal audit	Yes	Chief Executive and all relevant Senior Managers receive copies of final audit reports. Partial/Limited reviews presented to SMT.	

activity's purpose, authority, responsibility and performance relative to its plan?		Quarterly progress reports to the Audit Committee.	
Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	Yes	<p>All risk exposures identified by Internal Audit included in quarterly report (all audit reports presented).</p> <p>Fraud risk subject to annual self-assessment against best practice.</p> <p>Governance risk assessed against Good Governance Principles on an annual basis.</p>	
Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	Yes	Established quarterly monitoring in place	
2070 External Service Provider and Organisational Responsibility for Internal Auditing.			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	Yes	N/A	
2100 Nature of Work			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	Yes	Audit engagements and methodology devised to recommend improvements to governance, risk management and internal controls.	

		Internal Audit also represented at Risk Management group to offer further advice and support regarding internal controls.	
Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	Yes	Systematic approach defined within audit methodology.	
2110 Governance			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? b) Ensure effective organisational performance management and accountability? c) Communicate risk and control information to appropriate areas of the organisation? d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	Yes	Audits designed to meet organisational objectives. Audit templates include standard testing of governance processes. Risk management testing enhanced in 2021/22.	
Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	Yes	See above – standard governance template and relevant recommendations made throughout.	
Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	Yes	Ethical governance considered as part of audit reviews where relevant.	
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	Yes	It was mutually agreed between Internal Audit and Senior Managers that ICT risk was a control concern, to be included in the annual report due to level of vacancies and pressures within the team. Audit work	

		was therefore limited in 2021/22, as would not add further value, though IA continue to work with ICT on specific risk issues as and when identified.	
Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	Yes	Included in risk universe.	
2120 Risk Management			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite? d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	Yes	Adherence to Risk Management Process is standard working paper.	
Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information?	Yes	The 5 stated control areas are considered as part of formulating relevant risks as part of each individual audit.	

c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?			
Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Yes	Annual assessment of Counter-Fraud arrangements in place against best practice from 2019/20 Counter-fraud included in audit universe as reviewable area Audit takes an active role in fraud reviews - performing all relevant investigations and delivery of fraud training and participating in the NFI. Audit of Procurement fraud undertaken in 21/22. Any identified fraudulent activity included in risk scoring of auditable areas (including relevant frauds outside of the authority if identified in news articles).	
Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	Yes	Relevant risks will be identified in the terms of engagement for any consulting activities (see methodology)	
Are internal auditors alert to other significant risks when undertaking consulting engagements?	Yes	Audits based on all identified risks within the area. Engagements include planning time for the Internal Auditor to identify potential risk areas that management may not be aware of.	
Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	Yes	Audit clearly not responsible for risk management. Built into charter, methodology and template reports.	
2130 Control			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23

Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	Yes	See above – included as part of all reports	
Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	Yes	Where relevant	
2200 Engagement Planning			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Do internal auditors develop and document a plan for each engagement?	Yes	Brief and scope prepared for all engagements.	
Does the engagement plan include the engagement's: a) Objectives? b) Scope? c) Timing? d) Resource allocations	Yes	Yes – template scope and agenda in place and approach defined in methodology.	
Do internal auditors consider the following in planning an engagement, and is this documented: a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance?	Yes	Yes – template scope and agenda in place and approach defined in methodology.	

c) The significant risks to the activity being audited? d) The activity's resources? e) The activity's operations? f) The means by which the potential impact of risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes.			
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives? b) Scope?	Yes	N/A No external reviews.	
c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	Yes	N/A No external reviews	
For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review (as embedded in methodology).	

For significant consulting engagements, has this understanding been documented?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review (as embedded in methodology).	
2210 Engagement Objectives			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Have objectives been agreed for each engagement?	Yes	Included in Scope (See template document)	
Have internal auditors carried out a preliminary risk assessment of the activity under review?	Yes	All audited areas include preliminary risk score as part of audit planning process (see planning methodology). This is developed as part of audit preparation prior to scoping meeting (See methodology)	
Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	Yes	Briefing includes risk score and any relevant risks identified. Scoping meeting based on a mutual understanding between audit and client leads on the perceived risks	
Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	Yes	Relevant risks considered during scoping exercise (see methodology).	
Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	Yes	Template working paper in place for review of governance processes.	
If the criteria have been deemed adequate, have the internal auditors used the criteria in their	Yes	If control design is deemed adequate it will be subject to testing (see methodology).	

evaluation of governance, risk management and controls?			
If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	Yes	Recommendations made for improvements to control framework.	
If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Yes	All aspects considered when reviewing vfm.	
Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review.	
Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review.	
2220 Engagement Scope			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	Yes	Scope established the risks to be reviewed relevant to the engagement area.	
Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	Yes	Risks relevant to these four factors considered as part of the scoping exercise. Template testing schedules in place to ensure these factors are considered.	
Does the engagement scope include consideration of the following	Yes	Risks relevant to these four factors considered as part of the scoping exercise.	

relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises?		Template testing schedules in place to ensure these factors are considered.	
Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review.	
Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review, including agreed audit output (usually report/memo)	
For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review.	
If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review. No reservations identified during 2020/21	
During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review.	
During consulting engagements, were internal auditors alert to any significant control issues?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review. Purpose of any	

		consulting engagement would be identify control issues at an early stage.	
2230 Engagement Resource Allocation			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available?	Yes	Time estimates assigned to individual reviews and audit plan balanced to available resource. Review of allocation carried out as part of supervisory process (control sheets) Performance monitored (KPI) Reasons for any variations noted in audit universe and on supervisor sheets	
2240 Engagement Work Programme			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Yes	Standard work programme in place as recorded in methodology with regular supervision of progress against milestones.	
Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information c) Evaluating information? d) Documenting information?	Yes	Documented in methodology Relevant risks and controls in place identified in scoping meeting and other interviews and correspondence. Suitability of controls checked through audit testing. Control framework evaluated based on testing. All findings documented.	
Were work programmes approved prior to implementation for each engagement?	Yes	All audit work follows same basic work programme (control sheet in place to ensure adherence).	
Were any adjustments required to work programmes approved promptly?	Yes	All audit work follows same basic work programme with variations agreed by audit manager (control sheet in place to ensure adherence). Variations discussed as required, but weekly supervision in place to ensure no gaps.	

2300			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? b) Analyse sufficient information? c) Evaluate sufficient information?	Yes	All audit work follows same basic work programme with variations agreed by audit manager (control sheet in place to ensure adherence).	
d) Document sufficient information?	Yes	All audit work follows same basic work programme with variations agreed by audit manager (control sheet in place to ensure adherence).	
2310 – Identifying Information			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Have internal auditors identified the following in order to achieve each engagement's objectives: a) Sufficient information? b) Reliable information? c) Relevant information? d) Useful information?	Yes	Information related should relate to contents of agreed scope.	
Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	Yes	Working papers complete to support conclusions (which are reviewed by the Audit Supervisor)	
Have internal auditors remained alert to the possibility of the following: a) intentional wrongdoing b) errors and omissions c) poor value for money d) failure to comply with management policy, and e) conflicts of interest	Yes	Established controls subject to testing devised to pick up these factors where relevant.	
When performing their individual audits, and has this been documented?	Yes	All findings documented in relevant working papers.	

Have internal auditors documented the relevant information required to support engagement conclusions and results?	Yes	All findings recorded in working papers, including supporting documentation.	
Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	Yes	All working papers subject to review by Audit Supervisor to ensure reasonable and supported conclusions are made.	
Does the CAE control access to engagement records?	Yes	Electronic records only – access restricted to Internal Audit team.	
Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	Yes	<p>Audit reports are only documentation routinely made public. All reports subject to sign off from a Senior Manager, who is aware the information will be made public. Reports deemed to include sensitive information are restricted.</p> <p>Clearance would be obtained for any other information issued to a third party or made public (no instances to date).</p>	
Has the CAE developed and implemented retention requirements for all types of engagement records?	Yes	<p>Audit documentation retained on file by financial year. Folders are archived when all relevant audit activity is completed for the year (including specifying deletion date).</p> <p>All information retained for 6 years plus current in line with retention requirements.</p>	
Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	Yes	Standard 6 years plus current adopted.	

Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	Yes	Supervisor sheet in place, which includes continual improvement by identifying learning from any issues or difficulties identified. Client satisfaction surveys issued. Weekly supervision of progress.	
Is appropriate evidence of supervision documented and retained for each engagement	Yes	Supervisors document comments and changes electronically on copy of working papers, which are retained on file. Supervisor signs control sheet at end of review, which is scanned and retained on file.	
2400 Communicating Results			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Do internal auditors communicate the results of engagements?	Yes	All reports issued to audit client, Senior Manager, Chief Executive and Audit Committee as well as any other relevant Officers identified in terms of reference and during the audit review.	
2410 Criteria for communicating			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Do the communications of engagement results include the following a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions?	Yes	All included as standard information within template reports.	
d) Recommendations and action plans, if appropriate?	Yes	Standard template report in place.	
Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Yes	Draft audits issued to Client Lead to confirm accuracy and agreed actions. Senior Manager receives copy for comment prior to finalisation. Process defined in methodology.	

If recommendations and an action plan have been included, are recommendations prioritised according to risk?	Yes	Recommendations are either given High or Medium priority. Further advisory comments are made in reports and included as part of separate appendix for management information.	
If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	Yes	Timescales included in action plan template.	
If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	Yes	Disagreements are noted in senior management comments of the report.	
Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	Yes	Yes, all relevant facts disclosed (as judged by individual auditor)	
Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Yes	Yes. Overall opinion based on achievement of the annual programme.	
When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	Yes	Yes. Senior Managers receive copy for comment, all partial/limited reviews reported to SMT and Board receives copy of all final reports.	

When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	Yes	All audit reports supported by relevant working papers (subject to supervisory review)	
Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	Yes	Audit methodology and template requires balanced findings to be stated (positives and negatives)	
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	Yes	All audit reports (unless containing sensitive information) are public documents (content is considered as part of report preparation). Names and sensitive information are not included in public audit reports. Any reports issued under part 2 (private) are restricted to relevant officers and Audit Committee.	
If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?	Yes	N/A No assurances provided to partnership organisations.	
2420 Quality of Communications			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Are communications: a) Accurate b) Objective c) Clear d) Concise e) Constructive f) Complete g) Timely	Yes	Audit methodology and supervisory process devised to ensure quality of audit communication. KPI established to measure the timeliness of audit reviews.	

If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	Yes	No instances identified in 2021/22. However, any material errors identified would be reported to relevant officers and members who had received original erroneous communication.	
2430 Use of “Conducted in Conformance with the International Standards for the Practice of Internal Auditing”.			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Do internal auditors report that engagements are ‘conducted in conformance with the PSIAS’ only if the results of the QAIP support such a statement?	Yes	No non-conformance identified. Standard paragraph in audit report templates.	
2431 Engagement Disclosure of Non-conformance			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	Yes	No non-conformances identified, but would be disclosed in the appropriate manner if and when identified.	
2440 Disseminating Results			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	Yes	In line with audit methodology results are reported to Audit Client, relevant Corporate Director, Chief Executive and any other relevant parties as identified in individual engagement. Reports are then issued to Audit Committee and minutes made available to full Council.	

		<p>Partial audit reports are reported to SMT.</p> <p>Audit methodology/Audit Reports</p> <p>Final audit reports public information (do not contain names or personal information) unless content is considered confidential.</p>	
Has the CAE communicated engagement results to all appropriate parties?	Yes	<p>In line with audit methodology results are reported to Audit Client, relevant Corporate Director, Chief Executive and any other relevant parties as identified in individual engagement (particularly any additional people assigned responsibility for actions as part of the action plan). Reports are then issued to Audit Committee and minutes made available to full Council.</p> <p>Partial audit reports are reported to SMT.</p>	
<p>Before releasing engagement results to parties outside the organisation, did the CAE:</p> <p>a) Assess the potential risk to the organisation?</p> <p>b) Consult with senior management and/or legal counsel as appropriate?</p> <p>c) Control dissemination by restricting the use of the results?</p>	Yes	<p>All audit reports ultimately become public documentation unless identified as part 2 items (which would be kept internal to Council). Reports are written to ensure confidential information is not disclosed.</p> <p>Part 2 audit reports restricted to relevant officers and audit committee only.</p>	
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	Yes	Terms of reference prepared for all consulting work in same manner as any audit review.	
2454 Overall Opinion			

Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE delivered an annual internal audit opinion?	Yes	Audit opinion stated in annual report to Audit Committee	
Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	Yes	Included in report	
Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	Yes	Included in report	
Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	Yes	Annual report is supported by internal audit work delivered in the year.	
Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	Yes	Scope (including limitations), consideration of all internal audit work and the control assessment adopted all included in overall opinion.	
Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	Yes	Reasons stated when required	
Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	Yes	Yes, annual report delivered annually in July Audit Committee.	

Does the annual report incorporate the following: a) The annual internal audit opinion? b) A summary of the work that supports the opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any qualifications to the opinion?	Yes	As above	
e) A disclosure of any impairments or restriction in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS? h) The results of the QAIP?	Yes	As above.	
i) Progress against any improvement plans resulting from the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	Yes	As above. Performance measure outcomes included in annual report. QAIP in place.	
2500 Monitoring Progress			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Yes	All outstanding audit recommendations registered and followed up on a routine basis until implemented or management have accepted risks. Progress reported to Audit Committee on a quarterly basis. <i>See section 10 of Audit Methodology.</i>	

Where issues have during the follow-up process, has the CAE considered revising the internal audit opinion?	Yes	Reports prepared for all follow-ups of all areas rated partial or lower. Audit opinion is revised in report based on extent recommendations have been actioned. Audit universe also updated. <i>See section 10 of Audit Methodology.</i>	
Do the results of monitoring management actions inform the risk-based planning of future audit work?	Yes	Partial (and below) assessments receive ongoing follow-up reviews until control assessment is improved (to reasonable or substantial). Risk score for auditable areas partly based on outcome of previous audit. Recurrent (theme) and high graded recommendations recorded in risk universe (therefore implementing risk scores within audit universe). <i>See planning methodology.</i>	
Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	Yes	Any recommendations from consultancy reviews will be recorded on register of outstanding recommendations in line with audit process. <i>See section 10 of Audit Methodology</i>	
2600 Communicating the Acceptance of Risks			
Conformance with the Standard	Y/P/N	Evidence (Comments)	Improvements 2022/23
If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	Yes	No instances identified 2021/22. <i>Audit Methodology specifies process for none acceptance of recommendations.</i>	
If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	Yes	No instances identified 2021/22. <i>Audit Methodology specifies process for none acceptance of recommendations.</i>	

Carlisle City Council

Report to Audit Committee

Item
A.5

Report details

Meeting Date:	8 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	HOUSING BENEFIT SUBSIDY 2020/21
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number	RD 27/22

Purpose / Summary:

This report provides the Audit Committee with details of the completed audit of the Housing Benefit Subsidy Claim for 2020/21 undertaken by Mazars.

Recommendations:

The Audit Committee is asked to note the contents of the Housing Benefits Subsidy Report for 2020/21.

Tracking

Audit Committee:	08 July 2022
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. DWP require the Council to engage a reporting accountant to review its administration of housing benefit awarded to claimants on an annual basis using a standard methodology.
- 1.2. The Council has engaged Mazars to undertake this work, independent of the Council and to report to DWP and the Council on its findings; 2020/21 was the third year that Mazars have undertaken this work.
- 1.3. Mazars reviewed the Council's claim for housing benefit subsidy of £20.045m for the year ended 31 March 2021, including testing of individual cases and other related testing specified by DWP; this is detailed and technical work.
- 1.4. Mazars reported its findings on the 2020/21 claim on 31 March 2022, following the agreement of findings with officers.
- 1.5. The summary from Mazars is contained at **Appendix A**.
- 1.6. The key outcomes to be noted by Members are that there were no significant adverse findings and no impact on the £20.045m subsidy claimed by the Council.

2. Definitions

HBAP – Housing Benefit Assurance Process

CAKE – Cumulative Audit Knowledge and Experience

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Audit Committee is asked to note the contents of the Housing Benefits Subsidy Report for 2020/21.

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact details:

Contact Officer:

Reg Bascombe

Ext: 7102

Appendices attached to report:

- **Mazars Summary Report – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal and external audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Summary of HBAP report

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of HBAP Modules CAKE 40+ testing has been undertaken based upon the preceding HBAP report. We undertook this testing for:

Rent allowances Cell 094 overpaid benefit due to income calculation error No claims were found to be in error.

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We undertook this testing.

Cell 011 Non HRA Rent Rebate

No claims were found to be in error.

The Council had obtained confirmation of claimants' benefits information where appropriate, but not in the way specified in its Risk Based Verification (RBV) policy. We concluded that the value of housing benefit awarded was correct in all cases.

Cell 055 HRA rent rebate

There are no HRA rent rebate cases at Carlisle City Council

Cell 094 Rent Allowance

No claims were found to be in error.

Completion of Modules

Completion of Module 2 – Uprating Checklist

We have completed Module 2 and no issues were identified.

Completion of Module 5 – Software Diagnostic Tool

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Completion of other tests in Module 1 Modified

Schemes

The required testing was undertaken in relation to modified schemes. We undertook this testing.

An error was identified in the completion of cell 225 due to an administrative error in compiling the claim. This has been amended on the revised claim.

No claims were found to be in error.

Other Tests

There are no matters to report.

Carlisle City Council

Report to Audit Committee

Item
A.6

Report details

Meeting Date: 8 July 2022
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref: KD.11/22
 Policy and Budget Framework: Yes
 Public / Private: Public

Title: TREASURY MANAGEMENT OUTTURN 2021/22
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 05/22

Purpose / Summary:

This report provides the annual report on Treasury Management (Appendix A), as required under both the Financial Procedure rules and the CIPFA Code of Practice on Treasury Management. Also included is the regular report on Treasury Transactions (Appendix B).

The Audit Committee is invited to make any observations on treasury matters which took place during 2021/22. The Committee is asked to note the report.

Recommendations:

That the report be noted and received.

Tracking

Executive:	25 May 2022
Scrutiny:	09 June 2022 (People Panel)
Audit Committee:	08 July 2022
Council:	19 July 2022

Carlisle City Council

Report to Executive

Report details

Meeting Date:	25 May 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.11/22
Policy and Budget Framework	Yes
Public / Private	Public
Title:	TREASURY MANAGEMENT OUTTURN 2021/22
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number	RD 05/22

Purpose / Summary:

This report provides the annual report on Treasury Management (Appendix A), as required under both the Financial Procedure rules and the CIPFA Code of Practice on Treasury Management. Also included is the regular report on Treasury Transactions (Appendix B).

Recommendations:

That this report be received and approved for recommendation to Council.

Tracking

Executive:	25 May 2022
Scrutiny:	09 June 2022 (People Panel)
Audit Committee:	08 July 2022
Council:	19 July 2022

1. Background

- 1.1 The purpose of this report is to inform Members on various Treasury Management issues.
- 1.2 **Appendix A1** to this report sets out a final report on Treasury Management in 2021/22 as required by the CIPFA Code of Practice on Treasury Management. **Appendix A2** highlights some performance measures and **Appendix A3** shows the final prudential indicators for 2021/22.
- 1.3 **Appendices B1-B3** details the schedule of Treasury Transactions for the period 1 January 2022 – 31 March 2022.

2. Risks

- 2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

3. Consultation

- 3.1 People Scrutiny Panel will consider the report on 09 June 2022 and the Audit Committee will do so on 08 July 2022.

4. Conclusion and reasons for recommendations

- 4.1 That this report be received and approved for recommendation to Council.

5. Contribution to the Carlisle Plan Priorities

- 5.1 To ensure that the Council's investments are in line with appropriate policies including the Treasury Management Strategy Statement.

Contact details:

Contact Officer: Emma Gillespie Ext: 7289

Appendices attached to report:

- **Appendices attached to report:**
 - Appendix A1 – Treasury Management 2021/22**
 - Appendix A2 – Performance Measurement Statistics**
 - Appendix A3 – Prudential Code and Prudential Borrowing**
 - Appendix B1 – Treasury Transactions**
 - Appendix B2 – Investment Transactions**
 - Appendix B3 – Outstanding Investments**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS:

Legal – Treasury Management activities are delegated to the Corporate Director of Finance and Resources and Financial Procedure Rule 3.19 requires that she prepare an annual report on the topic. This Report fulfils that obligation.

Property Services – Not applicable

Finance – Included in the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty

Information Governance – No implications

TREASURY MANAGEMENT 2021/22

1. INTRODUCTION

- 1.1 The CIPFA Code of Practice on Treasury Management (2021) requires that full Council should receive both a mid-term and an annual report on treasury management activities during the year. This report on the treasury function during 2021/22, while being first presented to the Executive, is therefore required to have the approval of full Council in order to comply with the CIPFA Code.
- 1.2 Regular reports on treasury transactions are presented to the Executive while an interim report on treasury management in 2021/22 was presented in November 2021 (RD49-21). The purpose of this report is to complete the process of accounting for the treasury function in the last financial year in compliance with the Code. Any funding and other financing transactions are detailed and placed in the context of money market conditions in 2021/22 while the City Council's investment activities are also discussed.

Separate papers (**A2** and **A3**) provide information on performance in 2021/22 and on the Prudential Code on local authority borrowing.

2. MONEY MARKET CONDITIONS

- 2.1 The following table sets out the levels of bank base rate in 2021/22.

	%
1 April 2021 – 15 December 2021	0.10
16 December 2021 – 02 February 2022	0.25
03 February 2022 – 16 March 2022	0.50
17 March – 31 March	0.75

- 2.2 Base rate has steadily risen through the back half of 2021/22 from 0.10% up to 0.75% at 31/03/22.
- 2.3 The pattern of long-term borrowing rates in 2021/22 can be gauged by the following table of Public Works Loans Board (PWLb) fixed rate maturity loans during the year. These are the rates cited in the regular Treasury Transactions reports and relate to the type of loan that historically has most usually been taken up by the City Council.

	1 Yr %	10 Yr %	25 Yr %
1 April 2021	1.02	1.46	2.17
31 March 2022	2.17	2.47	2.79
Highest Rate in 2021/22	2.28	2.58	2.88
Lowest Rate in 2021/22	0.99	1.29	1.76
Span of Rates	1.29	1.29	1.12

3. LONG TERM FUNDING

3.1 The Prudential Code on local authority borrowing came into operation on 1 April 2004. The principal effect of the Code was to abolish most central government control of local authority borrowing, a principle that has been a cornerstone of local government finance for over a century. Instead, authorities must follow the guidance laid down in the Code and they will be expected to comply with its requirements. These cover not just borrowing but any decision that determines whether the capital investment plans of an authority are affordable, prudent and sustainable. The Code is discussed in more detail in **Appendix A3**.

3.2 The City Council did not draw down any external long-term loans in 2021/22. The capital programme was funded internally from borrowing undertaken in 2019/20, by drawing from the authority's own resources, and from external grants and contributions.

4. DEBT RESCHEDULING

4.1 The City Council's long-term loans portfolio at the end of March 2022 consisted of two PWLB loans taken out at £9m and £5m (both taken out in 2019/20). Principal on both loans will be repaid each year with final repayments due in 2059 & 2039 respectively.

5. LOANS OUTSTANDING

5.1 Set out below is a schedule of outstanding external loans as at 31 March 2022.

	£
Public Works Loans Board (PWLB)	12,812,500
Short Term Loans	<u>12,800</u>
Total Loans Outstanding	<u>£12,825,300</u>

6. INVESTMENT TRANSACTIONS

- 6.1 As is apparent from the regular 'Treasury Transactions' reports, the City Council continues to be a frequent investor in the short-term money market and the interest earned from these transactions makes a valuable contribution to the overall level of the Council's revenue budget. Investments are placed only with the institutions that fall within the guidelines of the Council's approved Investment Strategy and a full schedule of investments at 31 March 2022 is set out in **Appendix B3**.
- 6.2 The total at that date (£25.866m) can be compared with an average figure in 2021/22 of over £25.307m and a peak amount of over £31.518m. The closing balance in 2020/21 was £14.289m.
- 6.3 The Investment Strategy for 2021/22 embraced a mixture of longer-term investments and monies lent out for shorter periods to meet anticipated cash flow needs e.g., grant and precept payment dates. There were no changes made to counter party limits in 2021/22.
- 6.4 Investment income in 2021/22 at £186,535 was above the original estimate of £166,800. Actual investment rates obtained from banks and building society investments in 2021/22 were generally around those expected when the budget was set. Increased cash balances due to large upfront funding payments (e.g., sustainable warmth project) helped to increase the overall investment return for the year. The average yield on the Council's investments held including the property fund in 2021/22 was 0.82%. This is a favourable return considering the position of bank base rates during the year and compares well against other local authorities.
- 6.5 At 31 March the investment in the CCLA Property Fund was yielding a return of 3.25%. Dividends received in 2021/22 totalled £127,825.99. The investment has also grown in capital value since the investment was placed in July 2014 from £2,836,893 (after entry costs of £163,107) to £3,866,729 (an increase of £1,029,836). The capital value for 2021/22 increased by £577,371. The overall increase in value offsets the initial entry costs but is still subject to fluctuations in the overall performance of the fund.

7 INVESTMENT STRATEGY 2022/23

- 7.1 The Investment Strategy must be agreed before the start of each financial year and the 2022/23 Strategy was approved by Council on 1 February 2022. While the principles of the Strategy remain fundamentally sound, any amendments to the current schedule of investments, if agreed by the Executive, must be approved by Council.

8. PERFORMANCE MANAGEMENT

8.1 The CIPFA Code places an increased emphasis on performance monitoring in an attempt to measure the efficiency of the treasury function. With treasury management, the difficulty in assessing performance arises from the very different circumstances of each authority and the fact that, for example, a long-term borrowing decision can affect an authority's measured performance for many years to come. Borrowing decisions invariably impact on investment decisions since, in cash flow terms, one can be the mirror image of the other.

8.2 **Appendix A2** sets out some performance indicators in respect of both loans and investments outturn for 2021/22 and 2020/21.

9. TREASURY CONSULTANCY SERVICE (TCS)

9.1 The City Council continues to employ Link Asset Services as its treasury management consultants. Link provide daily bulletins on both borrowing and investment issues and this helps advise both the investment and funding decisions that are taken by the Council.

10 CONCLUSIONS

10.1 At the end of March 2022, the City Council has substantial long-term PWLB borrowing of £12.812m. The loans will be paid back in equal instalments of principal over the lifetime of the loan. No additional borrowing was undertaken during 2021/22, although there was an anticipation that this would be undertaken. Enhanced cash balances during the year negated the requirement to take any additional long-term borrowing. The Medium-Term Financial Plan anticipates external borrowing to support the Council's capital programme in 2022/23 and this will be further assessed during future planning of the MTFP during the course of this year. The focus of the authority's treasury management activities also remains very much on the investment aspect of the function.

10.2 Investment conditions were very similar to as they were in 2020/21, although increases to bank base rates did start to occur during the latter part of the year, in part to try and mitigate increased inflationary pressures in the economy. The City Council's investment interest was still lower than the previous year, however the performance achieved was slightly better than bank base rate levels. Uncertainties around timing of repayments of S.31 grants led to cash balances being invested on a shorter-term basis to ensure the council had enough liquidity for day-to-day activities. These shorter dated investments then attracted lower investment returns. For this authority, as indeed for most others, reduction in investment income poses a very significant financial challenge. This has been alleviated somewhat by the decision to invest in the CCLA property fund which has performed well since initial investment.

- 10.3 The outlook for interest rates in the UK remains uncertain but there is a general expectation that bank base rates will rise steadily through 2022, particularly to counter any inflationary pressures on the overall economy.

CITY OF CARLISLEPERFORMANCE MEASUREMENT STATISTICS1. LOANS MANAGEMENT

	2021/22 %	2020/21 %
Average External Debt Rate - Carlisle	1.64	2.64

Comment

Average loan debt statistics tend to reflect borrowing decisions taken over a period of many years.

2. INVESTMENT MANAGEMENT (Inc. Property Fund)

	2021/22 %	2020/21 %
Average Return in Year - Carlisle	0.82	1.15
Average Bank Base Rate in Year	0.18	0.10

Comment

The City Council's rate of return in 2021/22 on its investments was below that obtained in 2020/21; this was due to keeping investments and cash balances available for liquidity purposes which then attracted lower investment returns.

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the Council itself to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision-making process.
- 2.2 The final performance indicators for the current year, as compared to those reported in during the budget cycle are set out below. The compilation and monitoring of these indicators is central to the operation of the Code.

3 Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. This was deemed to be supported borrowing as credit limits were supported through funding from Revenue Support Grant. Following the introduction of the Prudential Code in 2003, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they can demonstrate that the revenue

consequences of such borrowing (i.e., the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

	2021/22 Provisional Outturn £	2021/22 Revised Estimate £
(i) Capital Expenditure	20,954,586	28,045,600
(ii) Financing Costs		
Interest Payable - Re Borrowing	215,197	520,400
Investment Income	(186,535)	(166,800)
Total Financing Costs	28,662	353,600
(iii) Net Revenue Stream		
Funding from Govt Grants/Local Taxpayers*	14,556,000	14,556,000
(iv) Ratio of Financing Costs to Net Revenue Stream	0.20%	2.43%
The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.		
(v) Incremental Impact on Council Tax	12.66	18.19
This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.		
(vi) Authorised Borrowing Limit	45,100,000	45,100,000
Maximum Level of Borrowing and Other Long term Liabilities	12,825,300	12,825,300
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

* Business Rates Outturn still to be confirmed

	2021/22 Provisional Outturn £	2021/22 Revised Estimate £
(vii) Operational Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	40,100,000 12,825,300	40,100,000 12,825,300
(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	34,154,851	40,544,000

(a) Prudence and Sustainability

	2021/22 £
(i) Target New Borrowing to Date Long Term Borrowing taken in 2021/22	29,500,000 0
(ii) Target Percentage of Fixed Rate Long Term Borrowing Actual as at 31 March 2022	100% 100%
(iii) Target Percentage of Variable Rate Long Term Borrowing Actual as at 31 March 2022 Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	100% 0%
(iv) Target Minimum Level of Investments Classified as Specified Actual Level of Specified Investments as at 31 March 2022 As part of the Investment Strategy for 2021/22, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	50.00% 100.00%

TREASURY TRANSACTIONS
1 JANUARY 2022 TO 31 MARCH 2022

1. LOANS (DEBT)

1.1 Transactions 1 January 2022 to 31 March 2022

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0	112,500	1.80
P.W.L.B	0	0	125,000	1.33
Short Term Loans	0	0	0	0
Overnight Borrowing	0	0	0	0
	0		237,500	

This provides a summary of loans that have been raised or repaid, analysed by type, since the previous report.

1.2 Loans (Debt) Outstanding at 31 March 2022

	£
P.W.L.B	12,812,500
Short Term Loans	12,800
	12,825,300

1.3 Loans Due for Repayment

	PWLB £	Total £
Short Term Debt at 31 March 2022	475,000	475,000
		475,000

1.4 Interest Rates

Both Link Group and Capital Economics predict that rates will rise steadily through 2022/23 to 1.25% and 1.50% respectively by March 2023.

2. INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	9,650,000	0.41-1.35	14,650,000	0.13-0.66
	9,650,000		14,650,000	

A full schedule of investment transactions is set out in **Appendix B2**. **Appendix B3** shows outstanding investments at 31 March 2022.

3. REVENUES COLLECTED

	Collected £	% of Amount Collectable %
Council Tax	67,732,678	96.59
NNDR	35,971,869	97.89
2021/22	103,704,547	97.03
Council Tax	63,686,663	95.67
NNDR	20,375,547	94.34
2020/21	84,062,210	95.34
Council Tax	62,143,990	97.12
NNDR	43,138,152	97.38
2019/20	105,282,142	97.22

Final collection levels were very similar to those of the previous two years.

4. BANK BALANCE

At 31 March 2022 the bank balance was £7,021,204.98 in credit.

This simply records the Council's bank balance at the end of the last day covered by the report.

5. OUTTURN ON TREASURY MANAGEMENT IN 2021/22

	Revised Estimate £000	Actual £000	Variance £000
Interest Receivable	167	186	19
Interest Payable	520	215	(305)
Less Rechargeable	(18)	(2)	16
	502	213	(289)
Debt Management	12	12	(0)
NET BALANCE	681	411	(270)

INVESTMENT TRANSACTIONS 1 JANUARY 2022 TO 31 MARCH 2022

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
Standard Chartered	2,000,000.00		Standard Chartered	2,000,000.00
HSBC	1,000,000.00		Goldman Sachs	1,000,000.00
HSBC	3,650,000.00		Goldman Sachs	1,000,000.00
Standard Chartered	1,000,000.00		Goldman Sachs	1,000,000.00
Standard Chartered	2,000,000.00		HSBC	1,000,000.00
			HSBC	2,350,000.00
			HSBC	1,300,000.00
			Standard Chartered	1,000,000.00
			Federated	4,000,000.00
TOTAL	9,650,000			14,650,000
			Bfwd	30,696,229
			Paid	9,650,000
			Repaid	14,650,000
			CCLA increase	170,500
			Total	25,866,729

Appendix B3

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
	HSBC	5,000,000	0.66%			Call1		
	Standard Chartered	1,000,000	0.31%	04/01/2022	29/04/2022	29	115	977
	HSBC	5,000,000	0.75%			Call31		
	Standard Chartered	1,000,000	0.36%	04/01/2022	27/05/2022	57	143	1,410
	Standard Chartered	1,000,000	0.81%	25/02/2022	24/06/2022	85	119	2,641
	Standard Chartered	1,000,000	1.23%	30/03/2022	29/07/2022	120	121	4,078
	Standard Chartered	1,000,000	1.35%	30/03/2022	26/08/2022	148	149	5,511
	Santander	7,000,000	0.73%			Call180		
	Total Investments	£22,000,000	0.74%					£14,616

[illegible]

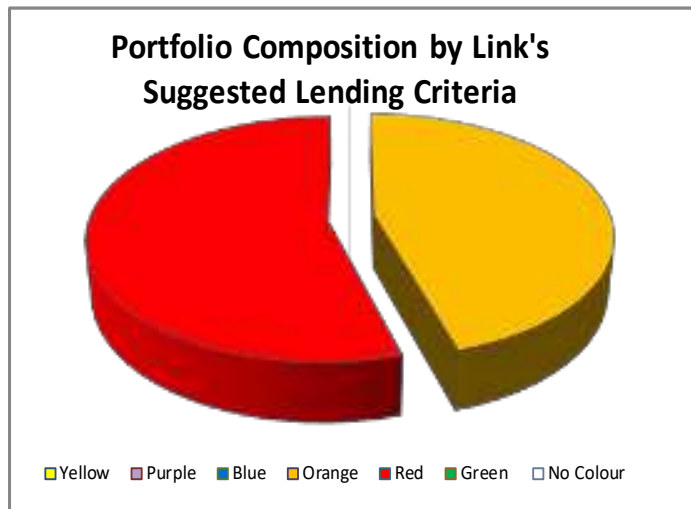
1. Entry Costs were charged against Treasury Management Budget in 2014/15

N.B Interest is recognised in the appropriate financial year in which it is due. The category colour represents the duration of investment recommended by Link Asset Services, the Council's Treasury Advisors. Those investments with No colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

Investments Summary Sheet

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	Weighted Average Rate of Return WARoR	Weighted Average Days to Maturity WAM	Weighted Average Days to Maturity from Execution WAM at Execution
Yellow	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	45.45%	10,000,000	100.00%	10,000,000	45.45%	0.71%	16	16
Red	54.55%	12,000,000	58.33%	7,000,000	31.82%	0.76%	142	159
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.00%	22,000,000	77.27%	17,000,000	77.27%	0.74%	85	94

Weighted Average Risk				
Risk Score for Colour (1 = Low, 7 = High)	Mar 2022	Dec 2021	Sep 2021	Jun 2021
1	0.0	0.1	0.0	0.00
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	1.8	1.5	1.7	1.9
5	2.7	2.4	2.8	2.6
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	4.5	4.0	4.5	4.5



	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour

Normal' Risk Score	3.5	3.5	3.5	3.5
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EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 27 MAY 2022

EX.72/22 TREASURY MANAGEMENT OUTTURN 2021/22

(Key Decision – KD.11/22)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel People Panel

Subject Matter

The Finance, Governance and Resources Portfolio Holder submitted report RD.05/22 providing the annual report on Treasury Management, as required under both the Financial Procedure Rules and the CIPFA Code of Practice on Treasury Management. Also included was the regular report on Treasury Transactions.

The Finance, Governance and Resources Portfolio Holder moved the recommendation set out.

The Economy, Enterprise and Housing Portfolio Holder duly seconded the recommendation.

Summary of options rejected that the report should not be recommended to Council for approval.

DECISION

That Report RD.05/22 be received and recommended to the City Council for approval on 19 July 2022.

Reason for Decision

To receive the annual report on Treasury Management.

EXCERPT FROM THE MINUTES OF THE PEOPLE PANEL HELD ON 9 JUNE 2022

PEP.07/22 TREASURY MANAGEMENT OUTTURN 2021/22

The Corporate Director of Finance and Resources submitted report RD.05/22 providing the annual report on Treasury Management, as required under both the Financial Procedure Rules and the CIPFA Code of Practice on Treasury Management. Also included was the regular report on Treasury Transactions.

The Chair thanked the Corporate Director for her comprehensive report.

RESOLVED - That the Treasury Management Outturn 2021/22 be received.

Carlisle City Council

Report to Audit Committee

Item
A.7

Report details

Meeting Date:	8 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not Applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Technical update and Consultations
Report of:	Corporate Director of Finance and Resources
Report Number:	RD.21/22

Purpose / Summary:

This report provides the Audit Committee with an update on technical issues and consultations on financial and auditing subjects.

Recommendations:

The Audit Committee is asked to note the update on consultations and technical issues

Tracking

Audit Committee:	8 July 2022
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1. Background

- 1.1 This report aims to provide the Audit Committee with an update on technical issues and external consultations relating to any financial or auditing matter of relevance to the Council.
- 1.2 Although the Council is notified of all consultations issued from, for example, DLUHC or CIPFA, not all consultations will be relevant and there will be occasions where the Council does not wish to respond.

2. Consultations and technical updates

2.1 Updated PWLB guidance

- 2.1.1 HM Treasury issued an update to the Public Works Loan Board (PWLB) lending guidance following the government's introduction of the Bill on Levelling Up and Regeneration. The PWLB guidance has been updated to address lending to authorities where there is a more than negligible risk of non-repayment following on from the publication of a Policy Paper by the Department for Levelling Up, Housing and Communities today (England only).
- 2.1.2 The last PWLB guidance was published in August 2021. The following are new paragraphs added into the 12 May 2022 document which were not in the previous document:
- 13. HM Treasury considers that compliance with the Prudential Framework, including the four statutory codes (and equivalents in Scotland and Wales) generally provides sufficient assurance regarding the risk of non-repayment held by a local authority. As such, a local authority should not expect any change in their ability to access PWLB loans or to the process of applying for a loan unless contacted by HM Treasury regarding specific concerns.
 - 14. HM Treasury will continue to work across government to ensure there is adequate monitoring of risk in the local government sector. HM Treasury works with departments across government to monitor financial risk in local authorities, and this ongoing monitoring will be considered alongside any other relevant factors when determining if a local authority is potentially at risk of non-repayment.
 - 15. If this monitoring raises particular concerns regarding any local authority, HM Treasury will contact the local authority to begin a period of engagement during which there will be the opportunity to make representations regarding capital spending and debt. HM Treasury will ensure that there is sufficient time for a full investigation, including local authority representations, before taking a view on whether the local authority poses a more than negligible risk of non-repayment and whether that local authority is not adequately taking action that could be reasonably expected to reduce that risk

- 16. HM Treasury will generally consider that where a local authority is actively and constructively engaged with government on addressing financial risk, that local authority is sufficiently managing risk of non-repayment. This includes where a local authority is working with the government as part of ongoing financial support measures. In such cases, HM Treasury will work with the relevant departments to assess any risks to the PWLB.
- 17. During the period of engagement with a local authority, HM Treasury may consider it necessary to take action to protect PWLB resources while balancing the needs of the local authority to manage their financial affairs and delivery of services, such as limiting the loan term length generally offered to the LA in question. HM Treasury would only take a final view on whether to restrict further lending after engagement with that LA.

2.1.3 Implications for the Council

The tightening up of controls around local authority borrowing will need to be considered carefully when assessing whether any borrowing is undertaken to ensure that the Council complies with the revised guidance.

2.2 Capital Investment and Borrowing

2.2.1 DLUHC announced Legislative measures to address excessive risk arising from local authority investment and borrowing, while supporting local freedoms for much needed investment.

2.2.2 The changes will provide the government with the flexibility to directly tackle excessive risk within the local government capital system in England. These powers will allow them to intercede where it is appropriate and necessary to do so based on the government's assessment of risk.

2.2.3 They note there is no one size fits all approach and will continue to have regard to metrics before determining if it is appropriate to use the statutory powers. These will include the following:

- proportionality of debt;
- proportion of capital assets which are investments taken in order to generate net financial return or profit;
- estimates to show the authority is not meeting statutory duty to make sufficient provision to repay debt;
- proportion of debt held where counterparty is not local or government – including credit arrangements and loans;
- further, where there is evidence of financial failure, for instance the issuance of a Section 114 notice, the government will consider the use of these powers where capital practices have been identified as a significant contributing factor.

2.2.4 The update also confirms this is part of a multi action, cross government approach to address risk across the capital system. Further changes being considered are

updates to statutory investment guidance and Minimum Revenue Provision regulations (DLUHC consultation on this issue closed earlier in the year).

2.2.5 Implications for the Council

As above, as the Council has a significant borrowing requirement in its MTFP, the enhanced rules around risk in the capital finance system will need to be carefully considered to ensure compliance and that there is no risk to the delivery of capital programmes.

2.3 Infrastructure Assets

2.3.1 The CIPFA LASAAC Local Authority Code Board has announced an urgent consultation on temporary proposals to update of the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets, particularly Transport infrastructure assets, i.e. roads and highways.

2.3.2 The proposals are intended to address issues raised by auditors in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. The issue arises principally because of information availability, relating to these assets and the difficulty of generating information which is decision useful and meets the needs of accounting standards. There are also related issues for the reporting of gross historical cost and accumulated depreciation.

2.3.3 CIPFA LASAAC and CIPFA's Accounting and Financial Reporting Forum have established a Task and Finish Group to assist with the resolution of this issue and consider the consequences of the proposals.

2.3.4 The issue is a complex, technical accounting issue. Following the advice of the Task and Finish Group, CIPFA LASAAC has proposed a temporary solution, with changes to the code for the reporting including proposals to:

- confirm the accounting consequences of derecognition, i.e. that the effect on the carrying amount is nil (on the presumption that replaced parts are fully depreciated);
- temporarily adapt the code to remove the reporting requirements for gross historical cost and accumulated depreciation;
- provide extra guidance on how depreciation may be applied for infrastructure assets.

2.3.5 This temporary solution will allow CIPFA LASAAC to consult on a longer-term solution later in the year.

2.3.6 Implications for the Council

The Council does not have a significant amount of infrastructure assets where derecognition of part of the asset occurs. The majority of the Council's infrastructure assets have been recorded at historic cost and are depreciated over an assessed useful life. There are very few occasions where additional expenditure is incurred on these assets where derecognition of a worn out/disposed part would need to be considered.

2.4 Government response to local audit framework: technical consultation

- 2.4.1 This response was as an outcome of the 2020 Redmond Review and the recommendation that a 'system leader' should be appointed to ensure a coherent response to challenges that arise in Local Audit. This will be achieved with the establishment of the Audit Reporting and Governance Authority (ARGA), which will be established to replace the Financial Reporting Council.
- 2.4.2 The local audit framework: technical consultation was published in July 2021 and set out the proposals to implement other recommendations from the Redmond Review, namely, the strengthening of Audit Committees, improved capacity and a number of measures relating to smaller bodies.
- 2.4.3 The response to the consultation sets out how the government plans to act in light of the comments received.
- 2.4.4 It confirms that when parliamentary time allows, plans will be made to make audit committees compulsory for all councils, with at least one independent member appointed to each.
- 2.4.5 The following sections are extracts from the response document and detail how the government will respond:
- 2.4.6 System Leader
The government welcomes respondents' support for the creation of a system leader for local audit, the functions they have proposed for the system leader and for these to be underpinned by statutory responsibilities and powers as appropriate. The Government agrees that a systemic approach to challenges facing the local audit system needs to reflect audited bodies' role in the system, so the system leader will need to continue local networks, for example and have a strong understanding of the needs of local bodies.

The government agree that the system leader should work with organisations and sector representatives to resolve or issue direction on issues facing the local audit system, as well as working as a broader advocate. They will consider further the

case for the specific statutory powers the system leader needs as they develop legislation, and outline them in the future draft bill, but currently they do not propose for the system leader to have powers over individual audited bodies.

2.4.7 ARGA's responsibilities and functions as system leader

The government welcome the wide range of views expressed on proposed functions and respondents' strong support of responsibilities which ARGA will have as system leader. They do not agree there is a risk of a single function 'dominating' the system leader; indeed, one of our reasons for choosing ARGA as system leader for local audit has been that it is the only organisation in the current system which already conducts all the functions they think a system needs to have – these include code-setting.

They note the value which stakeholders across the system place on the activities currently conducted by the NAO in support of its code setting function (including responses to public enquiries raised under the 2014 Act). The NAO has confirmed its intention to continue these activities while it remains responsible for code-setting.

The government can confirm that these activities will also be continued once the Code has transferred to ARGA. Some of these activities – such as the Local Auditors Advisory Group and technical networks – would be undertaken directly as part of ARGA's code setting role, or potentially included in practice note 10.

Some other activities – for example, those which involve providing advice and assurance on specific audits which are then reviewed by ARGA – would not be undertaken by ARGA directly. The exact method of delivery for these activities will be considered as part of establishing the new shadow arrangements.

The government welcomes support for a full post-implementation review of the new VfM arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit.

To provide certainty ahead of the next procurement, the government has confirmed the agreement with the NAO and FRC to re-lay the current code so that it will apply until the end of the 2027/28 audit year.

On balance, taking account of the views of respondents, the government agrees that a slightly longer timeframe for the review may be appropriate, both to allow the new arrangements time to bed in and to ensure a sufficient sample size.

Consequently, the government has provisionally agreed with the FRC and NAO that this should be completed within 3 years, building on the ongoing work being undertaken by the NAO. To reflect the expectation of a period of transition, our

expectation is that the wider review will be undertaken with input from both the FRC and NAO, to confirm details in due course.

2.4.8 Expertise and Focus

The government welcomes the support for the development of a dedicated local audit unit within ARGA. The FRC has recently announced the appointment of its new director of local audit, and work is underway to establish the new unit in shadow form.

While recognising concerns about audit capacity, it is critical that the new regulator is furnished with the right expertise from the outset. The government agrees that effective networks will be important to the effective functioning of this system. The government will be working with the FRC to establish these in shadow form from May 2022, to ensure that local bodies and audit firms are involved in the development of the system leader function. Over time this will include taking on responsibility for the current Local Audit Advisory Group; the system leader will want to establish their own strong networks with the various stakeholder groups.

2.4.9 Liaison Committee

The government welcomes the positive response to our proposals for the Liaison Committee.

As set out in the interim system leadership section above, in July 2021 DLUHC established the Liaison Committee as part of its interim system leader role. The positive actions undertaken by the Committee members to date have helped to agree a more collaborative and coordinated response to ongoing timeliness issues, as well as actions to support the procurement for the next appointing period.

As the new local audit shadow unit is established and builds capacity, the FRC will start to assume a greater system leader role. This will include a period of transition during which the FRC will jointly chair the Liaison Committee with the DLUHC. We will work closely with the FRC to fully develop the Liaison Committee during this period, including formalising its structures and membership.

2.4.10 Statutory Local audit objective and regulatory principle

The government welcomes the support for the proposed system leader objective and regulatory principle and confirms the intention to take these forward, along with the other proposed objectives and principles which have been confirmed in the recently published government response to Restoring Public Trust in Audit and Corporate Governance where similar concerns are addressed in detail.

Some respondents expressed a wish for further detail in the objective, but they would note that this will be one of the new regulator's overarching statutory objectives, which are deliberately high-level. Further detail on 'how' these objectives

should be delivered will be set out through other mechanisms, such as the Remit Letter and Memorandum of Understanding; in developing these they will consider respondents' views on what 'effectiveness' means.

They have also noted calls to add an additional system leader quality objective or amend ARGA's other overarching objectives to reference local audit. As the system leadership objective will be one of only 4 overarching objectives the new regulator will have, they are satisfied this strikes a reasonable balance and confirms the high priority local audit will have within ARGA's overall remit.

2.4.11 Governance of ARGA as system leader for local audit

The government welcomes the consultation response and confirms the intention for a discrete Remit Letter from DLUHC's Secretary of State to ARGA at least once during the lifetime of each Parliament. This will cover the government's priorities for local audit for all relevant bodies, meaning it will require close working among all interested departments, to ensure alignment across government.

While some respondents raised concerns about independence, in practice it is an important mechanism for ensuring clarity of strategic objectives and to reflect lines of Ministerial accountability, both on corporate reporting and local audit. The frequency of letters would be at least once a Parliament but could be more often if necessary.

The intention is that during the shadow arrangements before ARGA is established, strategic priorities will be included in a high-level Memorandum of Understanding which will be in place while the FRC is establishing its new unit ahead of taking on full responsibilities.

Other government departments also retain a responsibility where local audit relates to their bodies –for example, the Department of Health and Social Care (DHSC) with health audit – and it will be important to ensure that appropriate lines of accountability are agreed with DLUHC in recognition of this.

2.4.12 The Annual Report

The government welcomes the broad support for this proposal and the key elements they have proposed for the annual reporting process. The Government will work with the FRC to progress this, including taking into consideration the comments of respondents.

2.4.13 Board Membership

The government welcomes the support for this proposal and is fully committed to ensuring that board members have the diverse skills, experience, and knowledge to

provide appropriate scrutiny and challenge to the ARGAs executive team, including in relation to its local audit responsibilities.

The Business Secretary recently confirmed four new directors to the FRC Board, to work alongside Sir Jan du Plessis, who has been confirmed as the organisation's new Chairman. These directors have experience across a range of sectors, including Sir Ashley Fox, who served for 8 years as a councillor for Bristol City Council, including as Chairman of the council's Oversight and Scrutiny Committee. These new appointees will complement the existing board members, including the current Chief Executive, Sir Jon Thompson, who was previously Finance Director of North Somerset Council.

BEIS and DLUHC will continue to work together on the criteria for future board appointments ahead of the establishment of ARGAs, including the board member who will have specific responsibility for local audit. This process will be enshrined in an MoU between the 2 departments, but they are not minded to create further administrative steps beyond this.

To complement this arrangement, the FRC also plans to appoint a senior advisor drawn from a local audit background. The FRC's senior advisors provide advice, feedback and mentoring and act as sounding boards for ongoing issues and topics.

2.4.14 Funding of ARGAs system leader role

The government welcomes the high level of support for this proposal and confirms its intention for ARGAs local audit functions and responsibilities to be funded directly by the government. Given the nature of the planned arrangement, we do not judge that ring-fencing is necessary.

2.4.15 Appointing person arrangements

It remains the government's view that the current Appointing Person arrangements should remain in place, including separate arrangements for health audit. These arrangements will continue to be kept under review.

The government agrees that it will be vital for the new system leader to collaborate effectively with key partners, including the Appointing Person (PSAA). Over the past 9 months, the Liaison Committee has agreed actions for all parties to support the development of PSAA's strategy for the next procurement. This has included promoting the benefits of the scheme to firms and local bodies, and PSAA and the FRC working together on the methodology for evaluating bids from firms. It will be important for the new system leader to ensure that the Liaison Committee continues to support the Appointing Person throughout the next appointing period and at future procurements.

PSAA has sought to address feedback on its approach to procurement and contract management from audit firms and local bodies in its new procurement strategy, within the scope of its remit. This has included introducing an increased number of lots, a Dynamic Purchasing System and other measures to encourage new firms to enter the market. PSAA has continued to progress its procurement strategy and, following a high number of opt-ins (99% of eligible local bodies) and good feedback from audit firms at the Selection Questionnaire stage, proceeded to issue the Invitation to Tender in April.

In addition, new regulations designed to update and improve the process for the Appointing Person to set fee scales and fee variations came in force on 16 February 2022. They are hopeful that the new regulations will have a positive effect on the fee-setting process through the contract periods.

Over the longer-term, they will continue to review whether the current arrangements are working as effectively as they can and consider whether any further changes to regulations might be necessary.

2.4.16 Enhancing the functions of local audit and the governance for responding to its findings

The government welcomes the strong support for strengthened guidance. The government has fed back the key comment themes to CIPFA, as they developed the guidance further, in consultation with other stakeholders. Government has worked with partners to ensure consultation views are reflected on the composition of the audit committees and its reporting mechanisms which it considers to be a relatively simple and cost-effective step in ensuring transparency across the sector. CIPFA published its Position Statement and supporting guidance in April 2022 which recommends the need for audit committees to be apolitical, for improved preparedness for external audit arrangements, ensuring membership has the right expertise, and reporting and publishing annually on committee effectiveness. This guidance was published in April 2022.

The government accepts there are different perspectives on whether Audit Committees should be a statutory requirement, and notes that fundamentally it is very important that local authorities are able to tailor their structures to local need.

There are, however, benefits to mandating audit committees, including increased transparency and consistency. Redmond found that arrangements for the Police were working effectively, while Major Combined Authorities were also required to have them, making local authorities an anomaly. Strengthened audit committees have also been a key issue in recent Public Interest Reports.

Fundamentally, it is important that councils, as with other public bodies, have appropriate measures in place: the government considers it proportionate to establish a simple principle that local authorities should have an audit committee, with at least one independent member. Mandating for audit committees would ensure widespread take-up, along with improved public accountability.

Consequently, based on the consultation feedback, they will be making Audit Committees, with at least one independent member, a mandatory requirement, once Parliamentary time allows.

They will continue to consult with partners on how this should be implemented. In the intervening period, the government would encourage local bodies to establish their arrangements in line with CIPFA's guidance, including appointing independent members. They are providing £15m per annum to local bodies over the next 3 years to support with increased new burdens from the Redmond Review and increasing audit demands.

The government has also noted the importance of training. To support capability further, government is providing funding via the Local Government Association sector grant, for targeted training events for audit committee chairs and members. The government continues to work with the LGA on expanding their offer during 2022/23.

2.4.17 Auditor Training and Qualifications

The government welcomes the significant interest in widening the pool of Key Audit Partners. To address this, the FRC has consulted on proposals to enable alternative routes to obtain KAP status and allow local audit Recognised Supervisory Bodies' greater discretion in determining suitability of the experience gained by KAP applicants without reducing quality. The FRC consulted on the current guidance in Spring 2022 and plans to publish updated guidance shortly.

Alongside this, the government has considered the case for a new technical advisory service proposal from the working group formed to respond to the Redmond Review. The government will be undertaking a process of pre-market engagement to test appetite ahead of a possible procurement to fund the establishment of this new service. In the longer term, the expectation is that this would need to be funded by firms, provided there is sufficient interest.

It is anticipated that this would support on topics unique to the local government sector. This could be by providing the local audit system with advice and guidance to local auditors on issues responding to electors' objections, how and when to produce a public interest report, performance audit issues (for VfM reporting) and whether an issue identified meets the threshold for issuing a public interest report.

Looking ahead, the government is proposing that, following the outcome of the next local audit procurement, DLUHC will work with the new system leader and one or two of the successful audit firms to develop an industry-led workforce strategy, to consider the future pipeline of local auditors, and associated questions related to training and qualifications. This will form part of the new system leader's broader role in setting out the future priorities for the local audit system.

2.4.18 Implications for the Council

There are likely to be significant changes made to the local audit system in the short term and as these are announced, their impact on the Council will need to be considered.

2.5 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

2.5.1 The statement provides an update to the 2018 version and sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

2.5.2 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

2.5.3 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

2.5.4 The position statement sets out:

- The purpose of the Audit Committee
- Independent and Effective model
 - be directly accountable to the authority's governing body or the PCC and chief constable
 - in local authorities, be independent of both the executive and the scrutiny functions
 - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
 - have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
 - have rights to request reports and seek assurances from relevant officers

- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided
- Core Functions:
 - Maintenance of governance, risk and control arrangements
 - Financial Governance and Reporting
 - Establishing appropriate and effective arrangements for audit and assurance
- Audit Committee Membership
- Engagement and Outputs
- Impact

2.5.6 A full copy of the position statement is given at **Appendix A**

2.5.7 Implications for the Council

The Council has an effective Audit Committee and regularly undertakes and effectiveness review on its capability and compliance with best practice. The revised guidance will be used as the basis for ensuring the Council's Audit Committee continues to provide an effective governance role.

3. **Consultation**

3.1 None

4. **Conclusion and reasons for recommendations**

4.1 The Audit Committee is asked to note the update on consultations and technical issues.

Contact details:

Contact Officer: Steven Tickner Ext: 7280

Appendices attached to report (included in Part B):

Appendix A – CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - Any legal implications of the consultations in this report will be dealt with as and when they arise.

Property Services - none

Finance - Contained within the report

Equality - None

Information Governance – None

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

