

AGENDA

Audit Committee

Monday, 15 March 2021 AT 10:00

This meeting will be a virtual meeting and therefore will not take place in a physical location.

Virtual Meeting - Link to View

This meeting will be a virtual meeting using Microsoft Teams and therefore will not take place at a physical location following guidelines set out in Section 78 of the Coronavirus Act 2020.

Register of Attendance and Declarations of Interest

A roll call of persons in attendance will be taken and, at the same time, Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage.

Apologies for Absence

To receive apologies for absence and notification of substitutions.

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 Meeting

5 - 12

To note that Council, on 2 March 2021, received and adopted the Minutes of the meeting held on 18 December 2020. The Minutes will be signed by the Chair at the first practicable opportunity.

[Copy Minutes in Minute Book Volume 47(5) / herewith]

PART A

To be considered when the Public and Press are present

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|---|---|---------------------|
| A.1 | <u>MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL</u> | 13 -
30 |
| <p>The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 7 January and 18 February 2021 are submitted for information.</p> <p>(Copy Minutes herewith)</p> | | |
| A.2 | <u>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</u> | 31 -
46 |
| <p>Grant Thornton to present a report updating the Committee on progress in delivering their responsibilities as the Council's external auditors.</p> <p>(Copy Report herewith)</p> | | |
| A.3 | <u>AUDIT COMMITTEE'S ANNUAL REPORT</u> | 47 -
62 |
| <p>The Chair of the Audit Committee to submit a report summarising the work undertaken by the Audit Committee during 2020/21.</p> <p>(Copy Report RD.62/20 herewith)</p> | | |
| A.4 | <u>INTERNAL AUDIT PLAN 2021/22</u> | 63 -
82 |
| <p>The Corporate Director of Finance and Resources to submit a report providing the proposed Internal Audit Plan and Charter for 2021/22.</p> <p>(Copy Report RD.66/20 herewith)</p> | | |
| A.5 | <u>TREASURY MANAGEMENT OCTOBER - DECEMBER 2020</u> | 83 -
102 |

(Copy Report RD.58/20 (amended) and Minute Excerpt herewith)

The Corporate Director of Finance and Resources to submit a report providing an overview of the work carried out by Internal Audit between January and February of 2020/21. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

The Corporate Director of Finance and Resources to submit a report supplementing the Internal Audit Progress Report and considering the Review of Safe Recruitment.

The Corporate Director of Finance and Resources to submit a report supplementing the Internal Audit Progress Report and considering the Review of Financial Services Governance Arrangements.

Page 3 of 166

A.9 THE REDMOND REVIEW

**147 -
166**

The Corporate Director of Finance and Resources to submit a report providing the Audit Committee with an update on the outcomes of the Redmond Review on Local Audit and the Transparency of Local Authority Financial Reporting. The report also addresses the response of the MHCLG to the review and what the next steps will be and how the review and recommendations made will impact on the Council.

(Copy Report RD.63/20 herewith)

PART B

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

- NIL -

Members of the Audit Committee

Conservative - Mrs Bowman, Mrs McKerrell, Meller (Chair), Mrs Finlayson (sub), Morton (sub), Shepherd (sub)

Labour – Birks, Patrick (Vice-Chair), Dr Tickner, Alcroft (sub), Mrs Atkinson (sub), Miss Whalen (sub)

Independent - Bomford, Paton (sub)

Enquiries, requests for reports, background papers, etc to: Morag Durham, Democratic Services Officer - morag.durham@carlisle.gov.uk

MINUTES OF PREVIOUS MEETING

AUDIT COMMITTEE

FRIDAY 18 DECEMBER 2020 AT 10.00 AM

PRESENT: Councillor Meller (Chair); Councillors Birks, Bomford, Mrs Bowman, Mrs McKerrell and Patrick.

OFFICERS: Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Principal Auditor

ALSO

PRESENT: Key Audit Partner (Grant Thornton)
Audit Manager (Grant Thornton)
Deputy Leader, and Finance, Governance and Resources Portfolio Holder

AUC.27/20 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Dr Tickner.

AUC.28/20 DECLARATIONS OF INTEREST

There were no declarations of interest affecting the business to be transacted at the meeting.

AUC.29/20 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.30/20 MINUTES OF PREVIOUS MEETINGS

The Chair moved the Minutes of the Audit Committee meeting held on 24 September 2020; which had been received and adopted by Council on 3 November 2020.

RESOLVED – (1) That it be noted that Council had, on 3 November 2020, received and adopted the minutes of the Audit Committee meeting held on 24 September 2020.

AUC.31/20 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL

The Chair moved and Councillor Birks seconded that the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 3 and 17 September; 15 October and 1 December 2020 be noted and received.

RESOLVED – That the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 3 and 17 September; 15 October and 1 December 2020 be noted and received.

AUC.32/20 EXTERNAL AUDIT FINDINGS FOR CARLISLE CITY COUNCIL

The Key Audit Partner (Grant Thornton) submitted the initial draft Interim Audit Findings Report for Carlisle City Council.

The Key Audit Partner (Grant Thornton) informed Members that whilst the submitted report did not set out the final position the External Audit was substantially complete with the exception of some areas in relation to the valuation of Property Plant and Equipment and Investment assets held by the Council which required further clarification.

It had been identified that the valuations carried out by the Council's external valuer had not been in line with the RICS Guidance or the International Valuation Standards Code. Upon being made aware of the issues, the Council had entered into dialogue with its external valuer. The Council had accepted the Key Audit Partner's view and, in order to secure assurances around the valuations and the measurement bases used, had appointed a new external valuer to carry out inspections of those assets carried at Depreciated Replacement Cost, as well as a sample of other assets from across the portfolio.

Once the work was completed on the revaluations, any adjustments to asset carrying values would need to be determined and that may require previous years' valuations to be amended as well.

The rest of the audit process was largely complete with any required amendments being agreed with the auditors and reflected in the final statements which would be brought to the Committee for approval once the asset valuations and Audit Findings Report were finalised.

The Key Audit Partner (Grant Thornton), commended the Council on its response to the issue once it had been identified and it was noted that the Corporate Director of Finance and Resources had provided effective leadership on the matter.

A summary of the Value for Money work was provided, and the Key Audit Partner (Grant Thornton), advised that he planned to give an unqualified Value for Money conclusion.

In light of the additional work in relation to the valuation of Property Plant and Equipment and Investment assets held by the Council, the fee for External Audit Services would be reviewed and presented in the final report once the External Audit was completed.

The Audit Manager (Grant Thornton) have an overview of the Significant Audit Risks as detailed in the report. It was noted that the work regarding the Significant findings – key estimates and judgements in relation to NNDR appeals remained outstanding and it was hoped that it would be finalised early in 2021.

The Chair noted that the Corporate Director of Finance and Resources considered the gearing impact prior to any future borrowing being undertaken in light of any potential changes to the Council's asset portfolio. Given the Covid 19 Pandemic restrictions the continued work to realise the stage that the Council had was commendable, especially in light of assurances from the Local Government Association, HMRC and DWP that all correct procedures were in place.

Members raised the following observations during their consideration of the report:

- A Member thanked the Key Audit Partner (Grant Thornton) for his detailed work. She invited the Corporate Director of Finance and Resources to comment on the revaluation work being undertaken.

The Corporate Director of Finance and Resources commented that the National Audit Office had advised auditors to consider in greater detail the rationale and basis of valuations and indices submitted, which the audit team had actioned. The Council was due to appoint a new valuer as the contract with the previous provider had ended. The tender process for the new contract would include the RICS Guidance in the specification to ensure all statutory guidance

and audit requirements were built in. Going forward, the Property Services team would engage in greater challenge of received valuations.

A new valuer had been appointed on an interim basis to carry out the revaluation work identified as necessary and a report had recently been submitted to the Council. However, that was still in the process of being reviewed, once the Council had made its assessment, the data would be submitted to the External Auditor for their consideration. A meeting had been scheduled in early January 2021 for the Council and Grant Thornton to consider the revaluation work, in the event of that being deemed satisfactory, it was anticipated a Special meeting of the Committee may be held later that month where the final external audit report and amended accounts would be submitted.

A Member proposed: that the External Audit Findings for Carlisle City Council report be noted; an increase in external audit fees be acknowledged and that the Action Plan be forwarded to the Business and Transformation Scrutiny Panel for it to be taken into account as part of its work.

RESOLVED – 1) That the External Audit Findings for Carlisle City Council report be noted.

2) An increase in external audit fees be acknowledged.

3) That the Action Plan be forwarded to the Business and Transformation Scrutiny Panel for it to be taken into account as part of its work.

AUC.33/20 STATEMENT OF ACCOUNTS 2019/20 AND 2020/21

The Corporate Director of Finance and Resources reported (RD.46/20) that at the time of writing the audit of the 2019/20 Statement of Accounts had not yet been completed, the timeline for that work was set out.

The Corporate Director also summarised for Members the changes arising from the 2020 Code of Practice on Local Authority Accounting; and the Accounting Policies, details of which were provided at Sections 3 and 4 of the report.

A Member thanked the Corporate Director of Finance and Resources for her and her team's work, particularly in light of the challenges arising from the Covid 19 restrictions.

RESOLVED – That the Audit Committee noted the current position on the 2019/20 accounts and had considered the draft Accounting Policies to be used in the preparation of the 2020/21 accounts.

AUC.34/20 INTERNAL AUDIT PROGRESS 2020/21 (OCTOBER TO DECEMBER)

The Principal Auditor submitted report RD.45/20 providing an overview of the work carried out by Internal Audit between October and December of 2020/21.

Progress against the 2020/21 audit plan was as detailed at Appendix 1. 38% of planned reviews had been finalised to draft stage; with a further 3 reviews anticipated to be complete in draft by the end of Quarter 3 (48%).

The Principal Auditor advised that five planned pieces of work had been completed in the period, namely Audit of Local Air Quality Management; Audit of City Centre (including Events and Inspections); Audit of Carlisle Partnership – Value for Money; Audit of Income Management; and the Annual Fraud Review 2019/20.

He further summarised for Members the information provided at paragraphs 2.3 – 2.5; and Sections 3 and 4 concerning utilisation of the Audit resource during the period; performance indicators; and audit recommendations.

As identified above Internal Audit were currently behind target to achieve the audit plan. A recruitment exercise was underway to fill the vacant post. Internal Audit was also carrying out further work to identify and employ additional temporary resource to assist with the completion of the 2020/21 Internal Audit Plan.

A review of the Internal Audit plan had also been undertaken, including relevant discussion with responsible managers and the amendments identified at paragraph 5.2 were proposed to the Internal Audit plan.

Members raised the following observations during their consideration of the report:

- A Member commended the Principal Auditor on the work undertaken in relation to the Audit Plan. With respect to the proposal to remove 3 reviews, she asked when those areas would receive review in the future.

The Principal Auditor responded that risk informed decision making would be used to identify when further reviews of those areas proposed to be removed would be carried out.

The Corporate Director of Finance and Resources advised the Committee that, the Council had recently undergone an external review of risk management comprising all Risk Registers which was to be considered at the next meeting of the Corporate Management Risk Sub Group. She undertook to share the review with the Committee. In relation to the Effectiveness Review, work was being done to develop training resources for members of the Committee.

The Member requested that the CIPFA Code of Best Practice be adopted.

RESOLVED – That the Audit Committee:

- 1) Noted the progress against the Audit Plan for 2020/21 set out within Report RD.45/20.
- 2) Noted the progress made on audit recommendations to date outlined in Appendix B.
- 3) Approved the suggested amendments to the 2020/21 audit plan in Section 5.
- 4) Approved the adoption of the CIPFA Code of Best Practice.
- 5) That the Corporate Director of Finance and Resources circulate the Effectiveness Review to Members.

AUC.35/20 INTERNAL AUDIT REPORT LOCAL AIR QUALITY MANGEMENT

The Principal Auditor submitted report RD.47/20 which supplemented the Internal Audit Progress Report and considered the Review of Local Air Quality Management which was found to provide reasonable assurances and contained three medium graded recommendations. The Principal Auditor elaborated upon the audit highlighting, in particular detail, the key points and associated recommendations.

RESOLVED – That the Audit Committee received the final Audit Report outlined in paragraph 1.1 of Report RD.47/20.

AUC.36/20 INTERNAL AUDIT REPORT CITY CENTRE

The Principal Auditor submitted report RD.48/20 which supplemented the Internal Audit Progress Report and considered the Review of City Centre which was found to provide reasonable assurances and contained eleven medium graded recommendations.

The Principal Auditor elaborated upon the audit highlighting, in particular detail, the key points and associated recommendations.

RESOLVED – That the Audit Committee received the final Audit Report outlined in paragraph 1.1 of Report RD.48/20.

AUC.37/20 INTERNAL AUDIT REPORT CARLISLE PARTNERSHIP

The Principal Auditor submitted report RD.49/20 which supplemented the Internal Audit Progress Report and considered the Review of Carlisle Partnership – Value for Money which was found to provide reasonable assurances and contained one high and four medium graded recommendations.

The Principal Auditor elaborated upon the audit highlighting, in particular detail, the key points and associated recommendations.

Members raised the following questions and observations:

- What level of resource did the Council provide to Carlisle Partnership?

The Principal Auditor advised that the authority employed the Carlisle Partnership Manager, there were also costs associated with some venue hires that were met by the Council.

In response to comments regarding the out of date nature of some information on the Carlisle Partnership website, the Principal Auditor noted that the matter had been picked up via an advisory comment in the report.

- A Member considered that the timescale for setting up a Task and Finish Group to develop a performance framework for the Partnership of June 2021 was too long.

The Principal Auditor explained that the internal audit of the Partnership had only recently been completed and its recommendations and Action Plan agreed, as such it was reasonable to allow time for those to be implemented. As recommendation 1 of the audit was high level recommendation, it would be reviewed on a quarterly basis. Moreover, the work of the Task and Finish Group would be predicated on the finalised strategy.

The Member proposed that the matter be forwarded to the Health and Wellbeing Scrutiny Panel for inclusion in its Work Programme.

- A Member was disappointed that a high level recommendation had arisen from the audit and that the Partnership did not have a complete strategy in place, she asked whether consideration had been given to issuing a partial assurance?

The Principal Auditor confirmed that a partial assurance had been considered. However, there was evidence that the work of the Partnership did add value for money which counterbalanced the lack of a formal strategy. On that basis, a partial assurance was not felt to be reasonable.

The Member commented that the implementation of the report recommendations would improve the Partnership.

RESOLVED – 1) That the Audit Committee received the final Audit Report outlined in paragraph 1.1 of Report RD.49.20.

2) That the Internal Audit report for Carlisle Partnership be forwarded to the Health and Wellbeing Scrutiny Panel for inclusion in its Work Programme.

**AUC.38/20 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT,
INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION
STRATEGY 2021/22**

The Corporate Director of Finance and Resources submitted report RD.44/20 setting out the Council's draft Treasury Management Strategy Statement for 2021/22 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision Strategy for 2022/21 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The report was scheduled for consideration by the Executive on 13 January 2021, prior to submission to full Council on 2 February 2021.

RESOLVED – That, subject to the observations detailed above, the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2021/22 be noted.

**AUC.39/20 TREASURY MANAGEMENT QUARTER 2 2020/21 AND FORECASTS FOR
2021/22 TO 2025/26**

The Corporate Director of Finance and Resources presented report RD.34/20 (amended) providing the regular quarterly summary of Treasury Management Transactions for the second quarter of 2020/21 and budgetary projections for 2021/22 to 2025/26.

The Executive had, on 9 November 2020, received Report RD.41/20 and the projections for 2021/22 to 2025/26 incorporated into the Budget reports considered elsewhere on the Executive Agenda (Minute EX.129/20 referred).

Since the report was considered by the Executive the government had announced the outcome of a consultation into use of the PWLB borrowing facility. As part of the Spending Review announcement on 25 November 2020, the government outlined the new guidelines under which borrowing from the PWLB could be undertaken by local authorities.

As expected, those new guidelines restricted the use of borrowing for commercial investment property ventures where yield was the primary reason for purchase.

The outcome of that new approach was that the additional 100bps that was added to rates 12-months ago had now been rescinded and borrowing rates had immediately fallen back to now be at levels similar to when the Council undertook some borrowing in September 2019 when it borrowed (£9m at 1.8% for 40 years, and £5m at 1.33% for 20 years).

The impact of the reduction in rates would be factored into the draft budget proposals and provided a significant saving in the cost of the borrowing that was still included in the Medium-Term Financial Plan. (Appendix C showed the original MTFP projection as considered by

Executive in November 2020). A revised projection was now shown at Appendix D that showed the impact of the new rates.

The borrowing rates shown at Para 1.4.2 have been updated as detailed on page 220 of the document pack.

The Business and Transformation Scrutiny Panel had, on 1 December 2020, resolved that the Treasury Management Quarter 2 2020/21 and Forecasts for 2021/22 to 2025/26 be received (Minute BTSP.73/20(f) referred).

RESOLVED – That Report RD.34/20 (amended) be noted, including the update to borrowing rates as outlined.

AUC.40/20 PUBLIC AND PRESS

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

AUC.41/20 INTERNAL AUDIT REPORT INCOME MANAGEMENT (Public and Press excluded by virtue of paragraph 3)

The Principal Auditor submitted private report RD.50/20 (Part B) which supplemented the Internal Audit Progress Report considered in Part A and considered the Review of Income Management.

The Principal Auditor outlined, in some detail, the content of the audit report including the key points and recommendations.

In response to a request from a Member that the Corporate Director of Finance and Resources comment on how the high level recommendation set out in the report be addressed, she set out the process that would be employed.

The Member proposed that progress against the high level recommendation, detailed in the report be reviewed on a quarterly basis. The Committee indicated its assent.

RESOLVED – 1) That the Audit Committee received the final Audit of Income Management.

2) That progress against the high level recommendation, detailed in the report be reviewed on a quarterly basis.

AUC.42/20 ANNUAL REVIEW OF COUNTER-FRAUD ARRANGEMENTS (Public and Press excluded by virtue of paragraph 3)

The Principal Auditor submitted private report RD.39/20 on the annual review of counter-fraud arrangements. Background information on the definition of fraud; its significant impact upon resources; and the role of Internal Audit was set out at Section 1.

The Principal Auditor summarised, in some detail, the arrangements in place and made suggestions for developments.

A Member suggested that information be made available, on the Council's website regarding the Council Tax Single Person Discount to assist residents in understanding when they should report changes in their household circumstances to the authority.

The Principal Auditor undertook to liaise with the Revenues and Benefits Services Manager on the matter.

The Corporate Director of Finance and Resources advised the Committee on the current process for reviewing the Single Person Discount, noting that consideration was being given to a county-wide review of the matter. She undertook to update the Committee on the progress of that review in due course.

A Member requested that a Committee receive a further report regarding data matches in relation to Housing Waiting Lists. The Committee indicated its assent.

Following a suggestion from a Member that Counter Fraud arrangements training be made available to Members, the Corporate Director of Finance and Resources agreed to extend the training, which had been provided to Officers, to Members. It was noted that the Officer training had been well attended and received.

RESOLVED – 1) That the Audit Committee noted the content of Report RD.39/20 and endorsed the improvements set out at Appendix A thereto.

2) That the Principal Auditor liaise with the Revenues and Benefits Services Manager regarding the provision of information on the Council's website relating to Council Tax Single Person Discount.

3) That a report be submitted to a future meeting of the Committee regarding data matches in relation to Housing Waiting Lists.

4) That the Corporate Director of Finance and Resources arrange training for Members on Counter Fraud arrangements.

[The meeting ended at 11:29am]

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

THURSDAY 7 JANUARY 2021 AT 4.00PM

PRESENT: Councillor Bainbridge (Chair), Councillors Alcroft, Allison, Birks, Bowman, Mitchelson and Dr Tickner.

ALSO

PRESENT: Councillor J Mallinson, Leader
Councillor Ellis, Finance, Governance and Resources Portfolio Holder
Councillor Mrs Mallinson, Communities, Health and Wellbeing Portfolio Holder
Councillor Christian, Environment and Transport Portfolio Holder

OFFICERS: Deputy Chief Executive
Corporate Director of Finance and Resources
Client Side Project Manager
Construction Administrator
Overview and Scrutiny Officer

BTSP.01/21 APOLOGIES FOR ABSENCE

An apology for absence were submitted on behalf of Councillor Paton.

BTSP.02/21 DECLARATIONS OF INTEREST

Councillor Allison declared an interest in accordance with the Council's Code of Conduct in relation to agenda item A.2 Civic Centre Reinstatement and Development. The interest related to the fact that his son in law worked for Story Construction

BTSP.03/21 PUBLIC AND PRESS

RESOLVED – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.04/21 MINUTES OF PREVIOUS MEETINGS

RESOLVED - It was noted that Council, at its meeting on 5 January 2021, received and adopted the minutes of the meetings held on 15 October and 1 December 2020. The Chair would sign the minutes at the first practicable opportunity.

BTSP.05/21 CALL IN OF DECISIONS

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

BTSP.06/21 CIVIC CENTRE REINSTATEMENT AND DEVELOPMENT

The Deputy Chief Executive provided an update on the current progress of the reinstatement of the ground floor of the Civic Centre (CS.01/21).

The Client Side Project Manager informed the Panel of the measures undertaken to manage or adapt the existing project proposals to deal with:

- a) working practices as a result of the COVID -19 pandemic
- b) impact of Brexit
- c) a requirement to update existing infrastructure in the ground floor and basement to manage asbestos, legionella, safety systems, obsolete services and fire safety in these areas, to support increased occupation of the ground floor and meet with current legislation.

The report finalised proposals for an extension to the Civic Centre public car park and set out the work that had been undertaken since Council approval on 5 May 2020.

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

- In response to a Member's questions the Client Side Project Manager clarified the following:
 - the different areas within the ground floor could not be released in separate phases due to financial and technical implications as many of the areas were interlinked. The project would be handed over as a complete project.
 - when not in use as a Council Chamber the equipment from the room would be securely stored in a locked storage cupboard in the Chamber and the large equipment had a separate storage area also on the ground floor.
 - area 8 of the ground floor would be refurbished to a basic level as the area had not yet been allocated a purpose.
- Was the Customer Contact Centre portacabin rented and was there potential to open the Customer Contact Centre early to provide some savings?

The Deputy Chief Executive confirmed that the portacabin was rented, the option to purchase had been considered but it may have proved difficult to sell it on. He explained that it was financially prohibitive to open the Customer Contact Centre in the ground floor whilst the rest of the reinstatement work was being carried out.

- Given the potential local government reorganisation and the good structure of the Civic Centre, had any consideration been given to how the building could be used in the future?

The Deputy Chief Executive confirmed that consideration had been given to the future of the building should the reorganisation move forward. He explained that the building itself was problematic in terms of its structure and the services to the tower of the building as it had been built for a specific purpose. Alternative uses for the building would be very expensive to realise them. The future of the building was a challenge, but it would probably continue to be used in the public sector in the future.

- Did the amended design for the rotunda area bring in similar revenue as the previous plans for car parking?

The Deputy Chief Executive explained that the planning permission for the area was for the demolition of the rotunda, construction of car parking spaces including electric vehicle points and the creation of public space amenity. The finer detail of the design had yet to be concluded, it was hoped that the WYG designer who designed the front of the building would be able to contribute to the designs to ensure continuity to the external area of the building.

- Both the Civic Centre reinstatement and the Sands Centre Development used local contractors and sub-contractors; would it be possible to promote this fact publicly?

The Deputy Chief Executive agreed that the good working relationship with the local contractors and sub-contractors should be promoted and this would happen in the coming weeks. The Client Side Project Manager added that where possible local suppliers and workers were also being used in both sites.

- The documents referred to storage in the basement of the building, would this area be used as storage given the potential for the area to flood?

The Client Side Project Manager responded that the area had been secured to limit the access to the area so that it could not be used as storage without express permission and to ensure the safety of the area and the building itself.

- A Member had some concern that ICT equipment was located on the ground floor and could potentially be at risk of flooding.

The Client Side Project Manager explained that, as part of the project, any equipment which had been identified as sensitive to the operation of the building would be moved to secure locked accommodation on the first floor.

- Would the vision to use the Council Chamber as conference space be supported by adequate catering facilities?

The Client Side Project Manager drew the Panel's attention to the ground floor plan which showed the new catering facilities which were next to flexible space which could be utilised as a refreshment area if required.

- How much research had been undertaken with external organisations to gauge the market for conference space and how it could be marketed?

The Deputy Chief Executive responded that more work was needed to determine the market for potential conference facilities. The new space had the flexibility and technical abilities that modern conferencing space needed but the market was changing, further work would be needed to prepare a business case for the offer.

- There was some concern that the new Council Chamber did not have any separation between members of the public and Elected Members during Council meetings. What thought had been given to security arrangements that would ensure the safety of all those in attendance but did not exclude the public from the activities of the Council?

The Deputy Chief Executive acknowledged the concerns and assured the Panel that the matter was being carefully considered. There were options available which included using furniture to create the separation or to have the meeting live streamed to a separate room. Work was being carried out with Democratic Services to investigate the options and the configuration of the room for committee meetings.

RESOLVED – 1) That the Civic Centre Reinstatement and Development Project be received (CS.01/21).

2) That the Deputy Chief Executive report any exceptions to the progress of the reinstatement to the Panel at the earliest opportunity.

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

Minutes of the special meeting of the Executive held on 7 December 2020 were submitted detailing the response of the Executive to the comments made by the Scrutiny Panels in response to the first round of Budget scrutiny.

RESOLVED – That the decisions of the special Executive on 7 December 2020 be received.

(2) Executive Draft Budget Proposals

The Executive draft Budget proposals 2021/22, which had been issued for consultation purposes, were submitted for scrutiny by the Panel.

The budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular the reports of the Corporate Director of Finance and Resources which were considered at the Executive meeting of 14 December 2020.

The Corporate Director of Finance and Resources detailed a number of updates to the budget documents including:

- the inclusion of climate change narrative in relation to the Council's commitment to becoming carbon neutral;
- the reduction in interest rates with the PWLB which had benefited the budget;
- the inclusion of a recurring budget for project officer posts for capital projects;
- the provisional one year funding settlement had been received from central government and was subject to a consultation period which ended on 16 January 2021;
- other funding had been announced however the amount had not yet been received;
- the 2021/22 Executive Budget Proposals issued for consultation constituted a balanced budget;
- reserves were maintained at prudent levels;
- the draft budget proposed an annual £5 increase per Band D in Council Tax for the City Council for 2020/21.

In considering the Draft Budget Proposals Members raised the following comments and questions:

- The City Council provided a range of support to local communities, at what stage would difficult decisions regarding discretionary spending need to be made?

The Corporate Director explained that the Council's reserves were at prudent levels depending on savings being achieved. Previous savings had been achieved without the reduction in services, however there would be a point where income streams would have to be maximised to support the budget or services would have been looked at. She informed the Panel that work would be undertaken in 2021/22 to consider how savings could be achieved and a report would go through the democratic process at the appropriate time.

- The Climate Change Strategy and action plan would be approved after the budget had been agreed, would this result in a delay in undertaking projects to action the strategy?

The Corporate Director assured the Panel that the financial regulations allowed for funding to be released, through the Executive or full Council, for projects to action the Strategy should it be required. In addition there may be external funding or existing budgets which could support climate change projects.

A Member felt that the language used in the budget regarding climate change was negative and he stressed how important the matter was for future generations,

- A Member asked for clarification with regard to the pooling arrangement figures.

The Corporate Director reminded the Panel that the expectation had been that 2020/21 would be the final year of the Cumbria Business Rates Pooling arrangements, as the Government was undertaking 2 reviews into Local Government Funding (Fair Funding review & Business Rate Retention); however the reviews had again been deferred and the MHCLG had agreed not to revoke the current pooling legislation. This, in effect, meant that the pooling arrangement could continue into 2021/22, if all participating members agree. This could benefit the Council in 2021/22 of up to £1.2million.

- Were there options were available to support the Southern Relief Road funding other than borrowing?

The Corporate Director of Finance and Resources responded that grants for capital programmes were limited, the options open to the Council were to borrow the money, make a contribution from the revenue budget or to sell assets (not currently budgeted for) to support it. She added that alternative options were always considered before any borrowing was undertaken. The funding for the scheme was included in the budget as borrowing and would be returned to the Council via developer contributions over a long period of time.

- Had any consideration been given to a commercial approach to offsetting carbon?

The Finance, Governance and Resources Portfolio Holder confirmed that the Council would take any opportunities which enabled it to raise revenue in an environmentally beneficial way. He suggested that this approach be included as part of the authority's commercialisation plans.

- Did the shortfall in City Centre properties income include the Lanes?

The Corporate Director of Finance and Resources clarified that the shortfall was for a City Council owned property that had a rent free period. The property might be included in the Borderlands Deal and then there was expectation that there would be a return (not currently budgeted for) either through a capital receipt or revenue stream all of which would be subject to a decision of a future Executive. She reminded the Panel that the Lanes budget had been reduced in 2020/21 and the matter would continue to be monitored.

- What had been the impact of Covid-19 on the Council Tax schemes and how were they promoted?

The Corporate Director reported that there had been a relatively low number of applications to the Council Tax support schemes until the Christmas period when the number of applications rose significantly. The schemes were advertised on the City Council website and in correspondence sent out by officers.

- How did the impact of Covid-19 affect the realisation of the sales of assets to support the budget?

The Corporate Director of Finance and Resources updated the Panel on the asset review and update to the disposal programme. She added that the performance of the sale of assets was being very closely monitored.

- A Member asked for an update on the introduction of flexibility for waste services charges. The Environment and Transport Portfolio Holder explained that the matter was currently being discussed.

RESOLVED – 1) That the Panel accepted the Executive draft Budget Proposals 2021/22 as issued for consultation;

(3) Background Information Reports

(a) Budget Update – Revenue Estimates 2021/22 to 2025/26

The Corporate Director of Finance and Resources submitted report RD.42/20 providing a draft summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and updated projections to 2025/26. The report included the impact of the new savings and new spending pressures currently under consideration and the potential impact on the Council's overall revenue reserves.

The Executive had considered the matter on 14 December 2020 (EX.141/20 refers) and decided:

“That the Executive:

- (i) Noted the revised base estimates for 2020/21 and base estimates for 2021/22;
- (ii) Noted that the estimates in the report were draft and would be subject to the confirmation of Local Government Finance Settlement in December 2020;
- (iii) Noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues became clearer and decisions were taken;
- (iv) Noted the budget pressures, bids and savings which needed to be taken into account as part of the 2021/22 budget process;
- (v) Noted the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.”

(b) Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26

The Corporate Director of Finance and Resources submitted report RD.43/20 which provided a draft summary of the Council's revised capital estimates for 2020/21 together with base estimates for 2021/22 and updated projections to 2025/26.

The Executive had considered the matter on 14 December 2020 (EX.142/20 refers) and decided:

“That the Executive:

1. Noted the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B of Report RD.43/20, for recommendation to Council;
2. Had given initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;
3. Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.”

RESOLVED - That the Panel had received the following reports:

Budget Update – Revenue Estimates 2021/22 to 2025/26 (RD.42/20);

Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26 (RD.43/20).

BTSP.08/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021/22

The Corporate Director of Finance and Resources presented report RD.44/20 setting out the Council's draft Treasury Management Strategy Statement (TMSS) for 2021/22 in accordance with the CIPFA Code of Practice on Treasury Management.

She informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2021/22 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Executive had considered the matter on 14 December 2020 (EX.143/20 refers) and it was resolved that the Executive noted the draft Treasury Management Strategy Statement for 2021/22, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2021/22 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.44/20 and sought comments from the Business and Transformation Scrutiny Panel.

The Corporate Director reported that the ability to utilise ultra short dated investments had been included in the strategy to provide more flexibility for short term investments with the potential for providing a better return.

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

- Had the Council been able to invest in ethical products?

The Corporate Director of Finance and Resources confirmed that there had not yet been any ethical investment made due to the very low return being offered on those products. When making investments the Council asked to see the environment policy of the counter parties to ensure that they operated in an ethical and sustainable manner. The security of the investment was the priority for the Council and therefore the council invested mainly with banks, building societies and Local Authorities.

- A Member asked why the overall value of assets did not fluctuate following the sale of assets.

The Corporate Director explained that the value of assets did fluctuate however, the sale of assets was balanced by new assets being built. Work was being undertaken on 2019/20 asset value and the results of the work would be reflected in the Statement of Accounts for 2019/20.

RESOLVED – 1) That the Panel had scrutinised and made comments on the Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2021/22 (RD.44/20).

2) The Business and Transformation Scrutiny Panel supported the introduction of ultra short dated investments to provide more flexibility for short term investments with the potential for providing a better return.

BTSP.09/21 COVID 19 / BUDGET REPORT

The Corporate Director of Finance and Resources presented report RD.51/20 which detailed the impact Covid-19 had on the Council's financial and governance arrangements.

The Corporate Director of Finance and Resources set out the initial response to the pandemic and the changes to procedures to ensure appropriate controls were made to financial certification and approvals processes due to the requirement to work from home. She set out in some detail the financial impact and funding received along with information on the loss of income and debt management. The Corporate Director detailed the potential long term financial impact and highlighted the nine government support schemes which the City Council was currently administering to support Council Tax and Business Rate payers.

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

- A Member asked for further details with regard to the outstanding debts from 'Other Local Authorities'.

The Corporate Director of Finance and Resources responded that she was currently in discussion with the Section 151 Officers of the other local authorities to determine why the debt was outstanding. She added that the expectation on local authorities in the current climate was to pay debt as soon as possible.

- When would GLL know if they were successful in securing government support and what would happen if they were not successful?

The Deputy Chief Executive reported that the City Council had been working closely with GLL to submit an expression of interest in December prior to the full application on 15 January. GLL had been well placed to provide the Council with the required information for the application which had to be submitted by the relevant authority. He reminded the Panel that the Council had made a provision for some financial support for GLL, but they had not yet required that support. The matter would be monitored very closely and if necessary alternative arrangements could be put in place to provide leisure services to the City.

In response to a further question the Deputy Chief Executive clarified that that the Council had an ongoing contract management process with GLL locally in which the City Council could access the financial records of GLL on a quarterly basis. This allowed the Council to see the actual impact Covid-19 had on GLL and determine the appropriate level of support needed on an open book basis.

- Would it be possible for the Council to continue to use the new control measures in the future once the pandemic has passed?

The Corporate Director of Finance and Resources explained that the Council's standard policy for creditor payments was ten days for local and small businesses and twenty eight days for other businesses. She agreed to consider if the new control measures could continue in the future.

- Had there been any requirement to bring in additional staff resources to administer the numerous Covid-19 grants?

The Corporate Director of Finance and Resources confirmed that the Finance Team, Revenues and Benefits Team and Economic Development Team had managed to administer the grants without the need for additional resources. As the Council moved forward to more 'normal' working there may be a requirement to source additional resources to support the work.

- A Member sought the Executive's confirmation that they were committed to reopening John Street Hostel and would continue to support both the Water Street Family Accommodation and John Street Hostel as going concerns.

The Finance, Governance and Resources Portfolio Holder confirmed that the Executive was committed to both accommodation facilities. He added that the Council had been successful in fulfilling its homelessness duties and Homelessness, Prevention and Accommodation Services had performed exceptionally well during the pandemic.

- Had the figures within the report anticipated a further national lockdown?

The Corporate Director of Finance and Resources explained that the report had been prepared prior to the announcement of the lockdown and therefore the figures within the report would need to be revised to take account of the current position.

- A Member sought assurance that future financial continuity planning had been undertaken given the ongoing and serious nature of the pandemic.

The Corporate Director of Finance and Resources responded that the situation was being very closely monitored and all information within the report would be updated due to the new national lockdown.

The Finance, Governance and Resources Portfolio Holder assured the Panel that the City Council was in a good financial position due to its reserves, substantial cash balances and investments and its property portfolio.

RESOLVED – 1) That the Covid-19 update be welcomed (RD.51/20);

2) That a further financial update on the impact of Covid-19 be submitted to the Panel following the end of the 2020/21 financial year;

3) That the Corporate Director of Finance and Resources provide the Panel with written details of the 'Other Local Authorities' debt and how successful the Council had been in recovering the debt.

BTSP.10/21 OVERVIEW REPORT

The Overview and Scrutiny Officer presented report OS.01/21 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel and the Panel's work programme.

The Overview and Scrutiny Officer provided an update on the outstanding resolutions from previous meetings and it was agreed that BTSP.64/20 should be removed from the table. In discussing BTSP.77/20 the Panel reiterated their request for the link to be circulated to the risk assessments of the Local Resilience Forum and Local Enterprise Partnership.

RESOLVED – That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.01/21).

(The meeting ended at 6.38pm)

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

THURSDAY 18 FEBRUARY 2021 AT 4.00PM

PRESENT: Councillor Bainbridge (Chair), Councillors Alcroft, Allison, Birks, Bowman, Mitchelson and Dr Tickner.

ALSO

PRESENT: Councillor J Mallinson, Leader
Councillor Ellis, Finance, Governance and Resources Portfolio Holder

OFFICERS: Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Client Side Project Manager
Policy and Communications Manager
Policy and Performance Officer
Property Services Manager

BTSP.11/21 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Paton.

BTSP.12/21 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

BTSP.13/21 PUBLIC AND PRESS

RESOLVED – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.14/21 MINUTES OF PREVIOUS MEETINGS

RESOLVED – The minutes of the meeting held on 7 January 2021 were agreed. The Chair would sign the minutes at the first practicable opportunity.

BTSP.15/21 CALL IN OF DECISIONS

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

BTSP.16/21 REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO DECEMBER 2020

The Corporate Director of Finance and Resources submitted the Revenue Budget Overview and Monitoring Report for the period April to December 2020 (RD.56/20), which set out an overview of the overall budgetary position for revenue schemes only and provided details of the impact of Covid 19 on the revenue budget. The report also included details of balance sheet management issues, bad debts written off in the period and progress against the budget sayings.

The Executive had considered the matter at their meeting on 8 February 2021 (EX.24/21 refers) resolved:

“That Executive:

1. Noted the budgetary performance position of the Council to December 2020;
2. Noted the action taken by the Corporate Director of Finance and Resources to write-off bad debts as detailed in paragraph 6;
3. Noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A.
4. Made recommendations to Council to approve reprofiling of £750,400 as detailed in paragraph 3.2 from 2020/21 into 2021/22.”

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

- There was some concern that there had been a low number of grants issued under the Christmas support payments grants for wet led pubs. Could there be further promotion of this grant?

The Corporate Director of Finance and Resources explained that the City Council had written to all businesses which were thought to be eligible for the grant to invite them to apply. She agreed to investigate further promotion of the grant with the Communications team. She also agreed to circulate up to date figures on the grant payments to the Panel.

- The Panel asked for clarity regarding the rental income losses for the Lanes and the potential impact of the closure of Debenhams on future income.

The Corporate Director of Finance and Resources responded that the projection figures for the Lanes income was for the year end 2021. She agreed to circulate further information on the head rent projection figures to the Panel.

- Was the Covid 19 funding, which had been received from government, ring fenced in case any monies had to be paid back?

The Corporate Director of Finance and Resources assured the Panel that all tranches of funding which had been received from government were identified in specific ledger codes and all records of allocations and spending were recorded.

- A Member noted his appreciation for the work of the Corporate Director of Governance and Regulatory Services and the Property Services Manager in recovering the £915,257 of Industrial Estate income.
- Would the underspend be used to reduce potential borrowing on the capital schemes?

The Corporate Director of Finance and Resources responded that the underspend would be discussed as part of the Outturn Reports and would be put into general fund reserves. She reminded the Panel that there was still a savings requirement which the underspend could be used towards on a temporary basis, the underspend could also be carried forward for any further borrowing requirements. Further work would be required to consider other spends in line with the savings target.

- How were the discretionary grants allocated and were they funded by government or the City Council reserves?

The Corporate Director of Finance and Resources highlighted section 4.1.1 of the report which detailed all of the government funding, including discretionary grants. The discretionary grants were allocated, using an agreed policy, to businesses which did not have rating liability but could show costs or shortfalls due to Covid 19.

- Had Covid 19 impacted the bad debt write off figures?

The Corporate Director of Finance and Resources responded that the bad debt write off figures were typical other than the NNDR figures. She agreed to carry out some comparison work and circulate the figures to the Panel.

- What had been the take up for the funding made available to support those who had been advised by NHS Test and Trace to self isolate?

The Corporate Director of Finance and Resources reported that the Test and Trace support payment had been oversubscribed, there had been further funding from government to top up the main scheme along with further funding through Cumbria County Council. The Government criteria had been very prescriptive, work was being carried out to create a more flexible criteria for the County Council funding.

- A Member asked for further information regarding the projected shortfall in homeless accommodation income.

The Corporate Director reminded the Panel that one of the homeless accommodation properties had not been used during the lockdown periods and therefore was not receiving the usual income from housing benefit. The lost income had been included in the monthly return to the MCLG and was part of the emergency funding.

- The Panel asked for an update on the development of a Commercialisation Strategy for the Council.

The Corporate Director informed the Panel that correspondence had taken place with the LGA to establish what training was available for officers and Members. She reminded the Panel that there was still a need for Member volunteers to take part in the work, this was available to all Members.

The Panel thanked the Finance, Revenues and Benefits and Economic Development teams for their ongoing work in delivering the services of the Council whilst administering the large volumes of grants and emergency income.

RESOLVED – 1) That the variances contained within the Revenue Budget Overview and Monitoring Report: April to December 2020 had been scrutinised (RD.56/20)

2) That the Corporate Director of Finance and Resources provide the Panel with the following information:

- Up to date figures on the number of applicants for the Christmas support payments for wet led pubs and details of the promotion for the scheme;
- Information on the head rent figures for the Lanes and any potential impact on income following the closure of Debenhams;
- Comparison information on the bad debt write offs
- Copy of the Discretionary Grants Policy.

BTSP.17/21 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO DECEMBER 2020

The Corporate Director of Finance and Resources submitted report RD.57/20 providing an overview of the budgetary position of the City Council's capital programme for the period April to December 2020.

The Executive had considered the matter at their meeting on 8 February 2021 (EX.25/21 refers) resolved:

“That the Executive:

1. Noted and had commented on the budgetary position and performance aspects of the capital programme for the period April to December 2020;
2. Noted adjustments to the 2020/21 capital programme as detailed in paragraph 2.1;
3. Made recommendations to Council to approve reprofiling of £3,031,500 as detailed in para 3.8 and Appendix A from 2020/21 into 2021/22.”

In considering the report Members discussed the impact of slippage with capital programmes and the potential increase in materials and inflation on the individual schemes.

The Corporate Director of Finance and Resources acknowledged that an increase in costs may impact schemes. She explained that each project had to have its own contingency fund within its existing budget. She agreed to ask officers to consider their contingency plans within their budgets in more detail as part of the Outturn Reports. The Corporate Director also reported that there were processes in place to deal with any slippage in projects and the associated financial implications. She stressed the importance of the profiling of projects to ensure the right financing, borrowing and capacity for the projects.

RESOLVED – That the variances contained within the Capital Budget Overview and Monitoring Report: April to December 2020 had been scrutinised (RD.57/20).

BTSP.18/21 THE SANDS CENTRE REDEVELOPMENT PROJECT

The Client Side Project Manager submitted an update on the progress of the redevelopment of the Sands Centre site.

The Client Side Project Manager provided an update of the measures undertaken to manage or adapt the existing project proposals to deal with:

- a) Progress with the main contract works
- b) provision of temporary accommodation for GLL's leisure offering and the NHS physiotherapy unit
- c) a requirement to update existing infrastructure in the events space to manage public safety systems to meet with current legislation.
- d) working practices evolving from the management of the risks associated with the COVID -19 pandemic
- e) working practices evolving from the management of the Brexit Agreement arrangements

The Client Side Project Manager shared a plan of the site and photographs of the project.

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

- What Covid 19 measures were in place to protect the workforce on site?

The Client Side Project Manager stated that there was a travel plan in place to limit the number of people sharing cars and each person arriving on site was registered and their temperature taken. Should their temperature be high they would not be allowed on site.

- How would the Council deal with an increase in the budget for the project?

The Client Side Project Manager responded that there was an allowance in the budget for inflation and the form of contract meant that it was the joint responsibility between the Council and the contractor to monitor the project and identify issues and deal with them before they become a problem and impact the budget.

- How far behind was the project due to Covid 19 and would it impact the contract completion date?

The Client Side Project Manager explained that the main contract work had not been delayed due to Covid 19 and the contract had an eight week 'cushion' to minimise the impact of delays on the end date.

- Did the contractors on site qualify for the lateral test for Covid 19?

The Client Side Project Manager agreed to discuss the matter with Wates Construction Ltd.

- The Panel supported the use of local workforce and materials and asked that the impact of the project on the local economy be promoted.

The Client Side Project Manager agreed that the positive impact on the local economy which included accommodation, food and the refurbishment of the Newman School site should be promoted.

RESOLVED – That the progress made on the Sands Centre Redevelopment Project be noted (CS.06/21).

BTSP.19/21 QUARTER 3 PERFORMANCE REPORT 2020/21

The Policy and Performance Officer presented the Quarter 3 Performance Report 2020/21 (PC.14/21).

The report contained the Quarter 3 performance against the current Service Standards and a summary of the Carlisle Plan 2016-19 actions as defined in the 'plan on a page'. Performance against the Panels' 2020/21 Key Performance Indicators were also included.

The Policy and Performance Officer gave an update on the work of the Task and Finish Group which was reviewing the content of the performance reports and drew the Panel's attention to the summary of exceptions which showed as red:

SS05: Proportion of corporate complaints dealt with on time

SS08: Proportion of official local authority searches completed on time

CSe14: Actual car parking revenue as a percentage of car parking expenditure

CSu05: Percentage of NNDR collect.

In response to a question the Policy and Performance Officer clarified that the figures for CSe14 showed that for every £1 the Council spent on car parking the target was to receive £1.50 in return, due to Covid 19 the current return was 74p. This loss of income was reflected in the budget monitoring reports.

A Member asked for an update on the local authority searches figures and the Corporate Director of Governance and Regulatory Services responded that there had been a short term issue due to the impact of lockdowns, however, the service was now within target.

RESOLVED – That the Panel had received the quarter 3 performance 2020/21 report PC.14/21.

BTSP.20/21 SICKNESS ABSENCE REPORT QUARTER 3 2020/21

The Policy and Performance Officer presented the authority's sickness absence levels for the period 2020 to December 2020 and other sickness absence information (CS.13/21).

The Policy and Performance Officer updated the Panel on the progress of the new Improving Attendance Policy and reported that to date in 2020/21 there had been a 24% decrease in overall days lost per employee when compared to the same period in the previous year. 47 employees had been absent long-term (those cases where the absence was 4 working weeks or more) throughout the year; only 2 less than the previous year. 11 long-term cases remained open at 26th January 2021 and 19 of the instances were due to 'Stress, depression, mental health, fatigue syndromes'.

In considering the report, Panel had some concerns that the Improving Attendance Policy had not yet been submitted for scrutiny as expected. There was some concern that the delay was caused by the change in HR staff and they asked for an update on the progress of the Policy from the Deputy Chief Executive along with information on exit interviews that the Council may hold when staff leave.

A Member highlighted stress related illness and asked what training was available to support the management of staff and their workload and questioned if staff felt secure in raising matters. In addition the Panel asked if work related stress was recorded separately to other stress and what triggers were in place for work related stress absences.

The Policy and Performance Officer agreed to arrange written responses from the Deputy Chief Executive and Organisational Development Manager.

RESOLVED – 1) That the Sickness Absence Report Quarter 3 2020/21 be noted (CS.13/21)

2) That the Deputy Chief Executive provide the Panel with an update on the progress of the Improving Attendance Policy including the date it would be submitted to the Panel;

3) That the Deputy Chief Executive provide a written response to the Panel setting out what, if any, exit interviews were undertaken when staff leave the authority how work related stress was recorded and what triggers were in place to deal it what training was available to manage staff sickness.

BTSP.21/21 OVERVIEW REPORT

The Policy and Communications Manager presented report OS.04/21 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel and the Panel's work programme.

The Policy and Communications Manager updated the Panel on progress on resolutions from previous meetings, resolution 4 would be marked as complete and removed from future reports.

The Panel discussed the delay to the Commercialisation Strategy Task and Finish Group and agreed that Members would be invited to the training then the Task Group would be established based on the interest received.

RESOLVED – That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.04/21).

BTSP.22/21 PUBLIC AND PRESS

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

BTSP.23/21 ASSET MANAGEMENT OF KINGSTOWN INDUSTRIAL ESTATE AND PARKHOUSE BUSINESS PARK – UPDATE ON PROGRESS (Public and Press excluded by virtue of Paragraph 3)

The Property Services Manager presented an update on progress with the implementation of the business plan for Kingstown Industrial Estate and Parkhouse Business Park (GD.18/21).

The Property Services Manager highlighted the key achievements which were detailed in Chancerygate's annual key performance indicator report and gave an overview of the rent review programme.

The Panel discussed in some detail, and the Property Services Manager answered questions, on the proposed development opportunities, current tenancies and the objectives which had been achieved. The Panel were pleased with the outcome of the rent reviews and questioned the future contract with Chancerygate. They highlighted previous matters with regard the road network in the Industrial Estate and were provided with an update on the situation.

RESOLVED – That the progress update on the Asset Management of Kingstown Industrial Estate and Parkhouse Business Park be noted (GD.18/21).

BTSP.24/21 GATEWAY 44 – MARKETING UPDATE (Public and Press excluded by virtue of Paragraph 3)

The Property Services Manager submitted an update on potential new lettings at Gateway 44 (GD.17/21).

The Property Services Manager gave a brief overview of the background to the project and set out the proposal for the site.

The Panel discussed the update on potential new lettings at Gateway 44 and congratulated the Property Services Manager, his team and the contractors for the excellent retail space that had been developed.

RESOLVED – That the Gateway 44 marketing Update be noted (GD.17/21).

(The meeting ended at 6.26pm)

Audit Progress Report and Sector Update

Carlisle City Council
Year ending 31 March 2020/2021

25 February 2021



Contents

Section	Page
Introduction	3
Progress at February 2021	4
Audit Deliverables	6
Covid-19	7
Sector Update	8

Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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

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

Progress at February 2021

Financial Statements Audit

2019/20

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January to March 2020. The work on the draft financial statement began in September 2020.

A draft Audit Findings Report was presented to Audit Committee on the 18 December 2020. As discussed at this meeting the Council had engaged a valuer to complete valuations on a sample of assets to include all assets valued at Depreciated Replacement Cost (DRC) and a sample of other assets from the councils portfolio.

The Council has received the updated valuations for these assets and have analysed the impact of the balance sheet and consistency with the rest of the asset base. This has led to the Council confirming they do not have assurances that the carrying value is not materially different to the current/ fair value of its portfolio of assets.

The Council has arranged for the whole portfolio of assets to be revalued and the valuer has been engaged to complete this work. Once this work has been completed, we will finalise our audit and review the adjustments made to the accounts.

2020/21

We will now begin to look to the 2020/21 financial year and begin our planning processes for the audit.

Our formal work will begin in the next few weeks and in the meantime we will:

- continue to have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits
- review committee papers and latest financial and operational performance reports.

We expect to issue our audit plan summarising our approach to key risks on the audit in July 2021.

Value for Money

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness.
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Further detail on the NAO's revised approach to VFM work can be found here: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/12/AGN-03-Auditors-Work-on-Value-for-Money-Arrangements.pdf>

The new Code of Audit Practice issued by the NAO can be found here: https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Progress at February 2021 (Cont.)

Other areas

We met regularly with Finance Officers through out the period as part of our weekly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in March to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (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.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes and those as a result of the new VFM code on both the cost and timing of audits. We will continue to discuss this with your s151 Officer including proposed variations to the Scale Fee set by PSAA Limited in due course.

As a firm, we are absolutely committed to meeting the expectations of the FRC and NAO with regard to audit quality and local government financial reporting and our work on VFM.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	February 2020	Complete
Audit Findings Report The Audit Findings Report will be reported to the December Audit Committee.	November 2020	The draft report was presented to the December audit committee.
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	November 2020	TBC
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	TBC

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices. Many have now re-opened, but with a significantly reduced capacity. All of our people are still working from home for the majority of the time.
- we will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure will be needed.
- disclosure of impact in narrative report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.
- for principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**







More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community 	<ul style="list-style-type: none"> Multiple lockdowns and ongoing disruption Community dependency and expectation of sustained response Turbulence and activism within the VCS Socio-economic inequality is compounded Failure of leisure and cultural services 	<ul style="list-style-type: none"> Smooth exit from lockdown to a “new normal” Community mobilisation is channelled into ongoing resilience Strengthened VCS relationships and focus Systemic response to inequality is accelerated Leisure and cultural services adapted to social distancing
Business & economy 	<ul style="list-style-type: none"> 16% reduction in GVA for 2020 based on OBR reference scenario Slow / uneven economic recovery and “long tail” on unemployment Central gov / BEIS focus investment on areas furthest behind Loss of tourist & student spend causes unmitigated damage ‘V’ shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> 5-10% reduction in GVA Rapid economic recovery with employment levels close behind Central government “back winners” with investment Adaptation allows resumption of tourist and student economy Business base is weighted towards growth sectors
Health & wellbeing 	<ul style="list-style-type: none"> Increased demand and escalating need due to fallout from lockdown Newly-vulnerable cohorts place strain on the system Unit costs increase further as markets deteriorate and providers fail SEND transport unable to adapt to social distancing Imposed disruption of care system 	<ul style="list-style-type: none"> Positive lifestyle changes and attitudes to care reduce demand Needs of newly vulnerable cohorts met through new service models New investment in prevention and market-shaping manage costs New ways of working leading to stronger staff retention Locally-led reform of health and care system
Political & regulatory 	<ul style="list-style-type: none"> Local government side-lined by a centralised national recovery effort Unfunded burdens (e.g. enforcement and contact-tracing) Councils in the firing line for mismanaging recovery 	<ul style="list-style-type: none"> Local government empowered as leaders of place-based recovery Devolution and empowerment of localities Councils at the forefront of civic and democratic renewal
Environment 	<ul style="list-style-type: none"> Opportunity missed to capture and sustain environmental benefits The end of the high street / town centres Emissions and air quality worsened by avoidance of public transport Capital programmes stuck 	<ul style="list-style-type: none"> Ability to invest in transport modal shift and green infrastructure Changed working patterns rejuvenate town centres Sustained impact on emissions due to new behaviours New, shovel-ready infrastructure programmes
Organisational 	<ul style="list-style-type: none"> Inadequate funding forces fiscal constraint Working practices return to status quo – increased operating costs Imposed structural change within the place Austerity 2 Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> Adequate funding enables a programme of targeted investment Learning and adaptation to new operating environment Energised system-wide collaboration and reform Fiscal reform and civic renewal Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Local government reorganisation in two-tier shire counties – County Councils' Network

The County Councils' Network (CCN) has published new independent evidence on the implications of local government reorganisation in two-tier shire counties ahead of the publication of the government's 'devolution and local recovery' white paper.

The report identifies considerations relating to:

- the costs associated with disaggregation;
- what this might mean in terms of risk and resilience of service provision;
- how service performance might be impacted;
- what it could mean for the place agenda; and
- issues arising from the response to Covid-19.

The report also sets out the financial implications of four unitary scenarios:

- Establishing one unitary authority in every two-tier area in England.
- Establishing two new unitary authorities in every two-tier area in England.
- Establishing three new unitary authorities in every two-tier area in England.
- Establishing two new unitary authorities and a children's trust in every two-tier area in England.

CNN note "With councils in shire counties facing billions in rising costs for care services, alongside financial deficits caused by the Coronavirus pandemic, the study from PricewaterhouseCoopers (PwC) shows merging district and county councils in each area into a single unitary council could save £2.94bn over five years nationally."

CNN go on to comment "The report concludes a single unitary in each area would reduce complexity and give communities a single unified voice to government. It would provide a clear point of contact for residents, businesses and a platform to 'maximise' the benefits of strategic economic growth and housing policy; integral to the 'levelling-up' agenda and securing devolution.

However, the report shows replacing county and districts with two unitary authorities in each area would reduce the financial benefit by two-thirds to £1bn over five years, with three unitary authorities delivering a net loss of £340m over the same period. A fourth scenario of a two-unitary and children's trust model in each county would deliver a net five year saving of £269m.

Alongside a minimum £1.9bn in additional costs from splitting county council services, the report outlines the establishment of multiple unitary authorities in each area creates the risk of disruption to the safeguarding of vulnerable children, while 'instability' in care markets could impact on the quality and availability of support packages and care home placements."



The full report can be obtained from the County Councils' Network website:

<https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-that-single-unitary-councils-could-deliver-3bn-saving-over-five-years-and-maximise-the-benefits-of-economic-growth-and-housing-policy/>

Local government reorganisation in two-tier shire counties – District Councils' Network

The District Councils' Network (DCN) a report ahead of the publication of the government's 'devolution and local recovery' white paper.

The report comments "Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement."

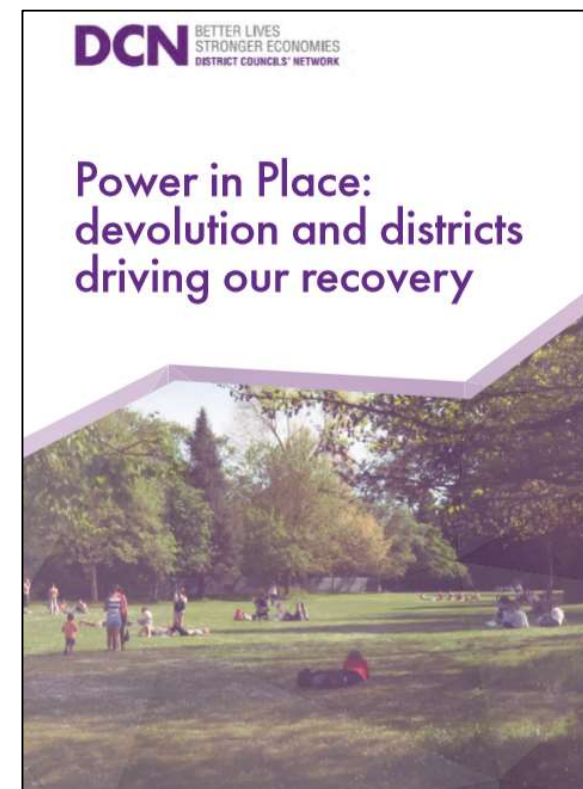
The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils' Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>



Report to Audit Committee

Agenda
Item:

A.3

Meeting Date: 15 March 2021
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: AUDIT COMMITTEE'S ANNUAL REPORT
Report of: Chair of Audit Committee.
Report Number: RD62/20

Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during 2020/21.

Recommendations:

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

Tracking

Executive:	Not applicable
Overview and Scrutiny:	Not applicable
Council:	27th April 2021

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. **BACKGROUND**

In accordance with paragraph 3.3 of the Audit Committee's Rules of Governance - attached to this report for Members' information as **Appendix A** - the Chair of the Audit Committee is required to present an Annual Report on the work of the Audit Committee to the full Council.

2. **PURPOSE OF THE REPORT**

2.1 This report summarises the work carried out by the Audit Committee during 2020/21. It demonstrates to Council and stakeholders the effectiveness of the Committee in maintaining the organisation's internal control environment and governance arrangements.

2.2 The Committee

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

Conservative	Labour	Independent
Cllr Meller (Chair)	Cllr Ms Patrick (vice chair)	Cllr Bomford
Cllr Mrs Bowman	Cllr Birks	Cllr Paton (Sub)
Cllr Mrs McKerrell	Cllr Dr Tickner	
Cllr Mrs Finlayson (sub)	Cllr Alcroft (Sub)	
Cllr Morton (sub)	Cllr Miss Whalen (Sub)	
Cllr Shepherd (sub)	Cllr Atkinson (Sub)	

2.2.2 This Report covers the meetings of the Audit Committee held on:

30th July 2020

24th September 2020

18th December 2020

15th March 2021

Details of the agenda items covered at each meeting are given at **Appendix B**.

2.2.3 The External and Internal Auditors, the Portfolio Holder for Finance, Governance and Resources, the Corporate Director of Finance and Resources, the Corporate Director of Governance & Regulatory Services and the Designated Head of Internal Audit are invited to all Committee meetings. The Committee can seek attendance from any officer or Member of the Executive and has exercised this right on several occasions.

- 2.2.4 The 2020/21 Audit Committee schedule was impacted by the ongoing Coronavirus pandemic with all meetings held virtually via Microsoft Teams. The work of the committee was curtailed in March 2020 when the Committee scheduled for 16 March was cancelled. The items scheduled for this meeting were therefore considered at the meeting of 30th July.
- 2.2.5 The use of Microsoft Teams for holding Audit Committee meetings virtually has functioned extremely well with the Committee able to receive all reports and consider, debate and make resolutions virtually.
- 2.2.6 At each meeting the Committee receives, for information purposes, the minutes of the Business and Transformation Scrutiny panel.
- 2.2.7 Training is an essential element for an Audit Committee. The Committee usually receive annual training and are updated on statutory accounting requirements and are alert to the possibility of areas in which their knowledge could be extended. The Committee also use the pre-meeting briefing sessions for planned training; however, due to the Coronavirus pandemic it has not been possible to undertake the normal schedule of training during 2020/21.
- 2.2.8 During the year Members and Substitutes of the Committee were invited to attend an Effectiveness Review workshop. This took place in October 2020 following the completion of a CIPFA Good Practice Survey by attendees; the results of which being the focus of the session. It was agreed that the CIPFA Skills and Knowledge Framework be used to inform a new training programme for Audit Committee Members for 2021/22, and details of the framework has been issued to all Audit Committee Members and Substitutes - a further workshop may be required to analysis the results of this new survey, once completed.

2.3 External Audit

- 2.3.1 The Audit Committee received and approved the external auditor's Annual Audit Plan. It commented on the fee rates and work programme consultation carried out by Grant Thornton based on fees set by Public Sector Audit Appointments Ltd, the independent company set up by the Local Government Association with delegated statutory functions to set audit fees and make arrangements for certain audits.
- 2.3.2 The Audit Committee also received the draft Annual Findings Report in relation to the Statement of Accounts, however, it was not possible for the Committee to receive the final version, nor sign off the 2019/20 Statement of Accounts due to

ongoing work to ensure the Statements are finalised . A judgement was included in the Annual Governance Report indicating whether the Council has adequate arrangements to secure Value for Money in the use of resources. The Annual Audit Letter was not received due to the ongoing work to complete the Statement of Accounts.

2.3.3 Finally, the External Auditor also provided the Committee with informative updates on key areas of interest in Local Government which were well received by the Committee and which the Committee referred on to other groups who may find them useful, e.g. Executive or Council.

2.3.4 The proposed external audit fee for 2020/21 was £51,033, however, this actual fee is likely to rise as additional work has had to be undertaken in relation to the Statement of Accounts and as yet this has not been quantified.

2.4 Internal Audit

2.4.1 The Committee has overseen the work undertaken by Internal Audit throughout the year, including the delivery of the Annual Audit Plan.

2.4.2 Due to the COVID-19 pandemic the Committee only approved the Internal Audit Plan at its first scheduled meeting of the year in July 2020. This set out the individual audit review areas to be carried out. The Internal Audit Plan focused on a Risk Based approach to establishing which reviews to undertake and where resources should be focussed.

2.4.3 The Committee received quarterly update reports from Internal Audit highlighting performance against the plan as well as reports of completed reviews. Each report is supplemented by a verbal update on key areas of success or concern in each completed audit review from the Designated Head of Internal Audit and the Principal Auditor.

2.4.4 The Committee also received updates on the progress against Audit recommendations and monitors closely where these are not completed to a satisfactory level.

2.4.5 As of the date of this meeting, the Committee had received twelve final reports with the following assurance levels.

Assurance Level	Number of Final Reports
Substantial	1
Reasonable	7
Partial	1
n/a	3
Total	12

- 2.4.6 Although the 2020/21 Audit Plan has been impacted by COVID, 50% (13 of 26) of planned reviews have been finalised to draft stage and an additional 20% of the plan is in progress. The remaining audits are scheduled to begin in March and will be concluded early in 2021/22.
- 2.4.7 The Committee concentrates its attention to high priority recommendations made in reports. Where a report carries a partial assurance level, the Committee usually receives a verbal update from the relevant Director or Service Manager to outline how the review is being dealt with and how the assurance can be improved. Where a partial assurance is given, the Internal Audit team will perform a formal follow up within six months and report back to the Audit Committee to outline how recommendations have been implemented and whether the assurance level has increased.
- 2.4.8 The Internal Audit team operate under the guidelines laid down by the Public Sector Internal Audit Standards and the Council also has an Audit Charter in place that is brought to the Committee for approval annually.
- 2.4.9 Internal Audit also provide assurance through an Annual Report that the Council's overall control environment is satisfactory and whether any key weaknesses should be addressed in the Annual Governance Statement. This report was received in July 2020 and highlighted no new areas of concern.
- 2.5 Accounts
- 2.5.1 Due to the COVID-19 pandemic the requirements for the completion and auditing of the Statement of Accounts were reviewed by Government. The deadline for the completion of the unaudited accounts was moved from 31 May to 31 August.
- 2.5.2 The Committee therefore considered the Council's draft accounts at its September meeting. The Committee received the draft Audit Findings report at its meeting on 18 December 2020, where the External Auditors reported their findings and noted

that further work to clarify the Council's asset valuations was needed before they could issue their overall opinion. This work is still ongoing and the Committee will receive the final audited set of accounts for approval once this work is completed.

2.5.3 The External Auditor also reported alongside their draft Audit Findings that the Council has proper arrangements in place for securing Value for Money.

2.5.4 The Committee will receive the Annual Audit Letter once the audit is concluded.

2.6 Corporate Governance

2.6.1 The Committee is responsible for ensuring the Council meets the requirements of the Code of Corporate Governance and the Good Governance Principles. The CIPFA/SOLACE document 'Delivering Good Governance in Local Government: Framework's core principal is that local government develop and shapes its own approach to governance. The Council has a Local Code of Corporate Governance and Good Governance Principles which the Committee have previously reviewed.

2.7 Treasury Management

2.7.1 The Audit Committee has responsibility for monitoring the Council's arrangements for Treasury Management and received reports for scrutiny on a quarterly basis, together with consultation on the proposed Treasury Management Strategy Statement.

2.7.2 The Committee take a keen interest in Treasury Management matters and question Officers around the security of the Council's investments and its approach to capital financing.

2.8 Risk Management Monitoring

2.8.1 The Committee has received regular updates on the risk management process and that the corporate risk register is being looked at on a regular basis. It is not the Committee's duty to determine that risks are being correctly identified and managed, more that the process of monitoring risks is being adhered to and that regular updates on risk management are given to the Executive and Scrutiny Panels where appropriate.

2.9 Fraud Prevention and Whistleblowing

2.9.1 The promotion of fraud awareness is important to Audit Committee Members who encourage officers in their efforts. Any incidences of fraud are reported to the Committee through the Internal Audit quarterly reports.

3. CONSULTATION

None

4. CONCLUSION AND RECOMMENDATION

4.1 Audit Committees are a key component of an authority's governance framework. The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.

4.2 The Audit Committee's annual report (together with the Audit Committee Minutes which are reported to Council throughout the year) provides the Council with information to show how the Audit Committee has fulfilled its role during the year and provides independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

4.3 Thanks to the work of all members of the Committee, as well as the support of officers and the work and support of the external auditor, the Committee has continued to provide robust challenge to all audit and governance arrangements within their remit.

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

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 The Audit Committee ensures that an effective governance framework is in place to underpin the delivery of Carlisle City's Priorities.

Contact Officer: **Chair of Audit Committee** **Ext:** n/a

Appendix A **Rules of Governance**
Appendix B **Audit Committee Agendas**
attached to report:

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 – The administration of the Council and its financial transactions must be subject to some form of check and accountability. In addition to political accountability through elected members and central government, and judicial review through the courts, there is accountability and control through the audit system. Internal audit controls are governed mostly by the non-statutory codes of practice developed by the profession. External audit controls are subject to a much greater body of law and, while always important, became more extensive in recent years. This Report forms part of our Governance procedure to provide reassurance that the Council operates properly and that there are checks in place to ensure maintain and improve that position.

Finance – It is best practice for the Chair of the Audit Committee to prepare an Annual Report outlining the work undertaken by the Audit Committee during the year.

Equality – None

Information Governance – There are no information governance implications with this report

Property Services - None

RULES OF GOVERNANCE

1. **STATEMENT OF PURPOSE**

- 1.1 The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2. **TERMS OF REFERENCE**

2.1 **Audit Activity**

To consider the Designated Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

To consider summaries of specific internal audit reports as requested.

To consider reports dealing with the management and performance of the providers of internal audit services.

To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To liaise with Public Sector Audit Appointments Ltd over the appointment of the Council's external auditor.

To commission work from internal and external audit.

2.2 **Regulatory Framework**

To maintain an overview of the Council's Constitution in respect of Contract Procedure Rules, Financial Regulations and relevant Codes of Conduct.

To review any issue referred to it by the Town Clerk and Chief Executive or a Chief Officer, or any Council body.

To monitor the effective development and operation of risk management and corporate governance in the Council.

To monitor Council policies on "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

To oversee the production of and approve the authority's Annual Governance Statement.

To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

To consider the Council's compliance with its own and other relevant published standards and controls.

2.3 Accounts

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

To approve the Annual Statement of Accounts, income and expenditure and balance sheet. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To approve the Letter of Representation

3. ACCOUNTABILITY

3.1 The Audit Committee shall be a stand-alone Committee of the Council. All Audit Committee members shall act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.

3.2 The Chair of the Audit Committee shall be appointed by the Committee. The Chair and the Committee shall ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny Panels and Regulatory Committees or the full Council.

3.3 The Chair of the Audit Committee shall present an Annual Report on the work of the Audit Committee to the full Council.

4. AUTHORITY AND ACCESS

4.1 The Audit Committee has a right to request relevant information from appropriate or relevant Members and Officers of the Council.

4.2 The Audit Committee shall not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny Panels and other Regulatory Committees.

4.3 The Audit Committee shall have access to in-house financial, legal and any other professional advice necessary to carry out its functions.

4.4 The Chair of the Audit Committee and the external and internal auditor shall meet as necessary and the Council's Designated Head of Internal Audit shall provide necessary services and support and assistance to the Audit Committee.

4.5 Any Member, Officer or member of the public who has any concern covered by the Terms of Reference of the Audit Committee may raise the matter with the Chair of the Committee who shall obtain, if necessary, relevant advice from the Council's Monitoring Officer or the Section 151, Corporate Director of Finance and Resources before taking any action with regard to the same.

5. MEMBERSHIP

- 5.1 Audit Committee members shall be appointed by the Council and consist of 7 members in accordance with the rules governing political balance. No member of the Executive and no chair of the Overview and Scrutiny Panels shall be eligible to be a member of the Audit Committee.
- 5.2 The Audit Committee shall be provided with administrative support by the Governance & Regulatory Services Directorate and reports/decisions of the Audit Committee shall be recorded and published on CMIS in the usual way. Financial Services shall provide technical support to the Committee when required. As the decisions of the Audit Committee shall not be of an executive nature, the decisions shall not be the subject of a request for call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chair of the Audit Committee, the Monitoring Officer and/or the Section 151 Finance Officer and/or ask an oral question of the Chair of the Audit Committee at the Council meeting in accordance with the relevant Council Procedure Rules.

6. ATTENDANCE

- 6.1 The Audit Committee shall meet on a regular basis as provided for in paragraph 7 below. Officers and others may attend all or part of the meeting at the invitation of the Committee. Attendees may include:
- The Leader or Deputy Leader
 - The Portfolio Holder for Finance
 - Portfolio Holders
 - Town Clerk and Chief Executive
 - Corporate Director of Finance and Resources (Section 151)
 - Corporate Director of Governance and Regulatory Services (Monitoring Officer)
 - Designated Head of Internal Audit
 - Other Chief Officers and Managers, as required
- 6.2 Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Audit Committee shall at least annually meet:
- (i) in private, with the external and internal auditors together; and/or
 - (ii) in private, with the external auditor.

7. MEETINGS

- 7.1 The Audit Committee shall meet at least four times a year in accordance with the schedule of meetings agreed by the Council. The External Auditor or the Designated Head of Internal Audit may request a meeting if they consider it necessary and other special meetings may be called in accordance with the Council's Procedure Rules.
- 7.2 The members of the Audit Committee shall commit to receiving appropriate training and development necessary to fulfil their roles.

8. QUORUM

- 8.1 The quorum for any meeting shall be one quarter of the elected members of the Committee, subject to there being not less than two elected members present at any time.

9. WORK PROFILE OF THE AUDIT COMMITTEE

9.1 In furtherance of the Terms of Reference and not otherwise, the Audit Committee is likely to receive and advise upon the following areas of work:

- Whether there is an appropriate culture of risk management and related control throughout the Council;
- the Annual Governance Statement;
- the annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit;
- significant changes required to Financial Procedure Rules and the Contracts Procedure Rules.
- the framework and processes for risk assessment, analysis and management within the Council;
- the effective co-ordination between internal and external audit;
- the budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee; and
- generally, on how the Audit Committee could add value to the work and operation of the Council.

9.2 External Audit and Inspection Agencies

- To note the fees and terms of engagement of the external auditor.
- To review the planned programme of work with the external auditor.
- To consider the annual statutory audit and to advise the Executive on any response to any audit management letters, reports and investigations, including Value for Money studies and other inspection reports.
- To review whether agreed external or internal audit or inspection recommendations have been implemented by the Executive as timetabled.
- To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations.
- To review the external auditor's independence and objectivity and annually appraise the Executive on the effectiveness and value for money of the external audit service.

9.3 Corporate Governance Framework

- To review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management.

- To give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.
- To review the Annual Governance Statement and make appropriate recommendations to the Council, the Executive, the Overview and Scrutiny Panels and Regulatory Committees.
- To ensure that any significant weaknesses identified are remedied.
- To commission, if necessary, any relevant investigations into matters of particular concern relating to internal control.
- To ensure that the impact of any alleged or fraudulent activity on the Council's framework of internal control is reviewed and, where necessary, to recommend changes to strengthen the control framework.
- To receive reports relating to those aspects of whistle blowing or alleged or actual fraudulent activity which relate to the Terms of Reference of the Audit Committee.

9.4 Internal Audit

To review and make recommendations to the Executive regarding:

- The effectiveness of internal audit;
- the internal audit function to ensure it is adequately resourced;
- the internal audit strategy, annual plan and to monitor delivery of the plan;
- any internal audit protocols and policies;
- significant audit findings, together with the response from managers to these reports;
- any difficulties encountered by internal audit including any restrictions on the scope of activities or access to required information;
- agreed internal audit recommendations to ensure they are implemented by management as timetabled; and
- the annual report from the Designated Head of Internal Audit.

9.5 Other

- To consider and make recommendations to the Executive on:
- the selection and terms of appointment of other appropriate advisors and consultants;
- governance issues relating to the operation of the Audit Committee, and
- the proportionality, independence, and appropriateness of any of the Council's policies relating to any audit or governance matters;
- such other matters of an audit, financial or governance nature as fall within the terms of reference of the Committee or as may be referred by the Council.

Audit Committee Agenda's

30th July 2020

- A1. Minutes of Business & Transformation Scrutiny Panel
- A2. External Audit Plan
- A3. External Audit Progress report and sector update
- A4. Internal Audit Annual Report 2019/20
- A5. Audit Committee's Annual Report 2019/20
- A6. Internal Audit Progress 2019/20 (January – March)
- A7. Internal Audit Plan and Progress 2020/21 (April – June)
- A8. Draft Annual Governance Statement 2019/20
- A9. Draft Statement of Accounts (Progress Report) – 2019/20
- A10. Treasury Management Outturn 2019/20

24th September 2020

- A1. Minutes of Business & Transformation Scrutiny Panel
- A2. External Audit Progress report and sector update
- A3. Internal Audit Progress 2020/21 (April – September)
- A4. Statement of Accounts 2019/20
- A5. Treasury Management: April – June 2020

18th December 2020

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. External Audit Findings for Carlisle City Council
- A3. Statement of Accounts 2019/20 and 2020/21
- A4. Internal Audit Progress 2020/21 (October - December)
- A5. Internal Audit Report – Local Air Quality Management
- A6. Internal Audit Report – City Centre
- A7. Internal Audit Report – Carlisle Partnership
- A8. Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2021/22
- A9. Treasury Management Quarter 2 2020 and Forecasts for 2021/22 to 2025/26

15th March 2021

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. External Audit Progress Report and Sector Update
- A3. Audit Committee Annual Report
- A4. Internal Audit Plan 2021/22

- A5. Treasury Management October to December 2020
- A6. Internal Audit Progress 2020/21 (January to March)
- A7. Internal Audit Reports
- A8. The Redmond Review

Report to Audit Committee

Agenda
Item:

A.4

Meeting Date: 15 March 2021
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework: Yes
Public: Public

Title: INTERNAL AUDIT PLAN 2021/22
Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number: RD66/20

Purpose / Summary:

Internal Audit is required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk-based audit plan and charter for approval by the Audit Committee.

This report provides the proposed audit plan and Charter for 2021/22.

Recommendations:

Members are requested to:

- Approve the 2021/22 Audit Plan which is attached at Appendices A - C.
- Approve the Internal Audit Charter for 2021/22 attached at Appendix D

Tracking

Audit Committee	15 March 2021
Scrutiny Panel:	Not applicable
Council:	Not applicable

1.0 BACKGROUND INFORMATION

- 1.1 The Chartered Institute of Internal Audit defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal Audit helps the Council to achieve its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.”
- 1.2 The Accounts and Audit Regulations 2015 require the Council to undertake “an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.3 The PSIAS affirm the need for annual risk-based audit plans to be developed in order that the Head of Internal Audit can form an annual opinion on the Council’s systems of risk management, governance and internal control.
- 1.4 This Internal Audit Plan has been prepared in line with a risk-based planning methodology and consultation with the Council’s Senior Management Team to identify the areas where it is considered that Internal Audit can add the greatest value through provision of independent assurance. Preparations were undertaken between January and February 2021 and a draft plan (approved by SMT on 01 March 2021) was prepared.
- 1.5 The Plan is attached at **Appendices A to C**.

2.0 INTERNAL AUDIT SERVICE DELIVERY

- 2.1 The PSIAS require that the Internal Audit Plan sets out a high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 2.2 It is a requirement of the PSIAS that the Council has in place an Audit Charter. The Charter, which is attached as **Appendix D** sets out the arrangements for the delivery of the Internal Audit service. No significant changes have been made from the previous year’s Charter.

3.0 ROLES OF MANAGEMENT AND OF INTERNAL AUDIT

- 3.1 It is the role of management to establish effective systems of governance, risk management and internal controls in order to:
 - safeguard the Council’s resources and prevent fraud;
 - ensure the completeness and reliability of records;
 - monitor adherence to laws, regulations, policies and procedures;
 - promote operational efficiency demonstrate the achievement of value for money;
 - manage risk.
- 3.2 It is the role of Internal Audit to provide independent assurance to senior management and the Audit Committee that the Council has implemented adequate and effective procedures in relation to these responsibilities.

- 3.3 In order to safeguard its independence, Internal Audit does not have any operational responsibilities and is not responsible for any of the decision making, policy setting or monitoring of compliance within the Council.

4.0 INTERNAL AUDIT RESOURCES

- 4.1 It is proposed that there will be 579 direct days of Internal Audit time in 2020/21 (**Appendix A**). This compares to 539 direct days included in the internal audit plan for 2020/21. The increase relates to the procurement of additional temporary resource and an increase in hours within the team, partially offset by an absence of additional specialist resource for ICT in 2021/22 (see below)
- 4.2 The number of days planned for each category is detailed at **Appendix B** with the following variations from 2020/21:
- There is a significant increase in the general contingency from 17 to 83 days. The increase relates to additional work required in April and May to complete the 2020/21 Internal Audit plan, following disruption caused by the global pandemic alongside vacancies and sickness absence within the team. The additional resource required is supported by the procurement of additional temporary resource. Once the 2020/21 plan is complete consideration will be given to utilisation of any resource remaining in the contingency.
 - Corporate reviews have increased from 20 to 45 days.
 - No additional days are proposed for specialist ICT resource in the year. The head of ICT services has only recently been appointed and requires time to embed policies and procedures – additional audit reviews would not currently add value to this process. Instead assurances will be obtained from other external specialist reviews proposed within the service and the Audit Committee will be kept up to date on progress.
- 4.3 The level of coverage is considered sufficient to provide an opinion on the systems of governance, risk and internal control in line with the PSIAS and in order to support the preparation of the Annual Governance Statement.
- 4.4 The PSIAS also reflect the requirement for internal audit plans to be flexible to respond to new and emerging risks to the organisation. Some capacity is therefore built into the Plan to allow Internal Audit to respond to such issues. Should contingencies be exhausted during the year, the approved Plan may need to be revised. In this event, revisions would be considered and agreed by the Senior Management Team and reported to the Audit Committee, including the need for any additional audit resources if appropriate. Any request for significant consulting activity by Internal Audit would be approved by the Audit Committee in line with the requirements of the Public Sector Internal Audit Standards.

5.0 CATEGORIES OF INTERNAL AUDIT WORK

- 5.1 **Corporate Reviews** – these are reviews which are strategic in nature or which cut across the entire Council. These reviews are designed to provide assurance that the Council has effective governance and risk management arrangements to mitigate strategic risks.

- 5.2 **Directorate Risk-Based Audit Reviews** – these reviews have been identified in consultation with senior management and following reviews of the Annual Governance Statement Action Plan and Corporate Risk Register. These reviews are spread across service areas following a risk assessment to ensure that Internal Audit resources are targeted at the areas where the greatest benefit will be achieved.
- 5.3 **Financial System Reviews** – a three-year programme is in place which ensures that each main financial system is reviewed in depth at least once every three years. Management also has a responsibility to ensure that all financial systems continue to operate effectively each year and has asked Internal Audit to confirm with relevant managers that basic controls continue to operate. This will involve completing internal control questionnaires with relevant managers and providing these to the S151 officer for information.
- 5.4 **Governance System Reviews** – a provision is included for an annual update and review of the Council's compliance with the local code of corporate governance.
- 5.5 **Follow Up Audits** – a provision for follow up work is included in the Plan to ensure that all audit recommendations are followed up in line with the agreed follow up approach outlined in section 6.
- 5.6 **Counter Fraud** – the Plan includes a provision for counter fraud work, including reactive work should irregularities occur requiring Internal Audit to advise management on their investigations.
- 5.7 **Advice and guidance** – capacity has been built into the plan for advice and guidance to all services across the Council as well as contingency to respond to emerging risks. This includes time specifically allocated for planned pieces of consultancy work.
- 5.8 **Contingency** – allocation of time to respond to emerging risks and unplanned work, as well as ensuring completion of the previous year's internal audit plan. This might include requests to audit grant claims, for example.
- 5.9 **VFM & Efficiency Reviews** – additional days will be included in the plan for undertaking Value for Money and Efficiency Reviews.
- 5.10 A summary of the number of days allocated to each category of audit work is shown at **Appendix B**. The proposed individual reviews are shown at **Appendix C**.

6.0 AUDIT FOLLOW UP ARRANGEMENTS

- 6.1 It is a requirement of the PSIAS that the Head of Internal Audit maintains a system to follow up the implementation of agreed actions from Internal Audit work. Internal Audit will formally follow up the implementation of agreed actions arising from audits that result in partial or limited assurance.
- 6.2 Follow up will be undertaken approximately six months after the issue of the final audit report or in line with the latest agreed timescales for implementation. Where appropriate a revised audit opinion will be issued and reported to the Audit Committee.

- 6.3 Where a follow up is due, but management advise that all actions have not been fully implemented, the follow up will be deferred. Any deferrals will be reported to the Audit Committee for information.
- 6.4 Where the follow up does not allow for a revised audit opinion, the Corporate Director will be informed and requested to continue to monitor the implementation within the directorate. A summary report will be provided to Audit Committee. Internal audit will write to the Corporate Director after a further six months to gain assurance that the remaining actions have been implemented.
- 6.5 Internal Audit will also maintain a schedule of all outstanding audit recommendations and obtain assurances from responsible officers that agreed actions have been implemented.

7.0 PERFORMANCE STANDARDS

- 7.1 Performance information will continue to be reported to the Audit Committee in 2021/22. Regular liaison meetings with the S151 Officer will also continue to be held to discuss ongoing issues.

8.0 CONSULTATION

- 8.1 Members of the Senior Management Team (SMT) have individually considered their respective areas of the Audit Plan and SMT considered the Draft Audit Plan at its meeting on 1st March 2021.

9.0 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 9.1 The Draft Audit Plan has been prepared in line with expected practice; Internal Audit is required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk-based audit plan for review and approval by SMT and the Audit Committee. The Committee is requested to:
- Approve the 2021/22 Audit Plan which is attached at Appendices A - C.
 - Approve the Internal Audit Charter for 2021/22 attached at Appendix D

10.0 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 10.1 Internal Audit supports the delivery of the Council Priorities as set out in the Council Plan by providing independent assurance over the arrangements in place across the Council to deliver priorities and objectives.

Contact Officer: Michael Roper **Tel:** 817520

Appendices attached to report: Appendices A – C - 2021/22 Draft Audit Plan
Appendix D – Internal Audit Charter

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

- **None**

CORPORATE IMPLICATIONS/RISKS:

Legal – In accordance with the terms of reference of the Audit Committee, Members must consider an annual audit plan and audit charter as part of the delivery of internal audit work. This report fulfils that requirement.

Finance – Contained within the report

Equality – None

Information Governance – None

Appendix A - AUDIT RESOURCES 2021/22 - AVAILABLE AUDIT DAYS

	FTE	Productive Days	Annual Leave	Bank Holidays	Sickness Absence (est)	Training	Net Productive Days
Principal Auditor	1.00	260	28.00	8	5	5	214
Auditor	1.00	260	28	8	5	5	214
Auditor	0.60	156	23	5	3	5	120
Total (In-house)							548
Additional temporary resource		31					31
Total							579

APPENDIX B - AUDIT PLAN 2021/22 - CATEGORIES OF WORK

Category	Category	Description	Days Allocated	Days Allocated 20/21 (For Info)
A	Corporate Reviews	Reviews that have been identified in consultation with senior management which are strategic in nature or which cut across the entire Council. These reviews are designed to provide assurance that the Council has effective governance and risk management arrangements to mitigate strategic risks	45	20
B-F	Directorate Risk Based Audit Reviews (Corp Supp / Economic Development / Community / Governance / Finance)	Reviews that have been identified in consultation with senior management and following reviews of the Annual Governance Statement Action Plan and Corporate Risk Register. These reviews are spread across service areas following a risk assessment to ensure that Internal Audit resources are targeted at the areas where the greatest benefit will be achieved.	215	210
G	Financial System Reviews	A three-year programme is in place which ensures that each main financial system is reviewed in depth at least once every three years. Management also has a responsibility to ensure that all financial systems continue to operate effectively each year and has asked Internal Audit to confirm with relevant managers that basic controls continue to operate. This will involve completing internal control questionnaires with relevant managers and providing these to the S 151 officer for information.	62	70
H	Governance System Reviews incl. Local Code of Corporate Governance and Good Governance Principles	Provision is included for annual review of compliance with local code of corporate governance and contribution towards AGS.	5	10
I	Follow Up Audits	Provision for follow up work is included in the Plan to ensure that any audits with less than reasonable assurance are followed up in line with agreed approach	25	30
J	Counter Fraud incl. policy review	Plan includes provision for counter fraud work. Capacity is also built into the Plan for reactive work should irregularities occur requiring Internal Audit to advise management on their investigations.	35	35
K	Advice and Consultancy	Capacity is built into the plan for advice and guidance to all services across the Council as well as contingency to respond to emerging risks. This allocation also includes agreed consultancy assignments, with Internal Audit offering advice on projects or new ways of working as they are being implemented.	30	30
L	Contingency	An allocation of time to respond to emerging risks and unplanned work, including completion of the previous year's annual plan. This might include requests to audit grant claims for example.	83	17
M	VFM & Efficiency Reviews	Reviews that focus on use of resources to ensure value for money is achieved	10	20
N	IT Audit	Specialist review of controls and processes in place relating to IT systems and processes. This is specialist work bought-on from external sources.	0	28
X	Audit Committees, incl. Effectiveness Reviews	Allocation of time for preparing reports for Audit Committee and attending briefings and meetings	16	16
Y	Planning/Management	Allocation of time for audit planning, reviewing and preparing audit manual, departmental development and Principal Auditor attendance at Operational Risk Management	53	53
TOTAL			579	539

Category		Audit Area	Proposed Scope	Financial	Political / Reputation	Other (complaints etc.)	Years since last audit review	Last Assurance Level	Total	Days	
Corporate Reviews	Business Continuity & Emergency Planning		Risk based review of procedures, plans and processes, ensuring Council is resilient towards threats to business continuity, including lessons learned from global pandemic.	5	4	3	4	2	18	20	
	Environmental Strategy		Risk based review of implementation and achievement of strategy to reduce the Council's carbon usage.	5	5	4	5	3	22	20	
	Scheme of delegation		Risk based review of procedures in place delegating authority for decision-making to ensure suitable, efficient and fit for purpose.	5	4	3	5	3	20	5	
Community Services	Sands Centre Redevelopment		Risk based review of governance processes in place to ensure appropriate delivery of significant ongoing project.	5	5	4	3	1	18	20	
	Street Cleaning -operations		Departmental risk-based review of governance, risk management and internal control framework.	4	5	3	5	2	19	20	
	Recycling (Perf Info)		Review of completeness, accuracy and timeliness of performance information and implementation of actions to improve performance.	3	4	3	5	3	18	10	
	Fleet Management (inc Strategy)		Risk based review of implementation and achievement of strategy.	5	3	3	5	3	19	20	
	Job Evaluation		Risk based review to ensure process to assess job descriptions and determine salary is suitable, fair and fit for purpose.	3	2	4	5	2	16	20	
Workforce Development and Training (inc Workforce Strategy and e-learning)		Risk based review of strategy in place to ensure officers receive relevant support and access to training and development.	2	3	3	4	1	13	20		
Corporate Support	Cyber-Security		Risk based review of controls in place to protect security and integrity of the Council's electronic information.	5	4	4	5	3	21	20	
Economic Development	Development Control (Complaints procedure)		Risk based review of process in place to ensure fair, complete and timely response to complaints received in relation to development control processes and decisions.	4	5	4	1	3	17	10	
	Major projects - governance arrangements		Risk based review focusing on governance arrangements in place for major projects within the Directorate (including Borderlands and St. Cuthbert's Garden village)	4	4	4	5	3	20	20	
Governance & Regulatory Services	Building Maintenance		Risk based review of arrangements in place to ensure safety and upkeep of Council property including compliance with relevant legislation.	5	4	3	4	3	19	20	
	Disabled Facilities grants		Risk-based review of processes in place to ensure payment and monitoring of grants.	5	4	3	5	2	19	20	
	Advice Agencies		Risk-based review of support services within Homelessness Services to ensure clients have access to relevant support and information.	3	4	2	5	3	17	15	
Main Financial Systems	Internal Control Questionnaires - Non Audited Systems		Annual questionnaires issued to ensure adequate controls in place for all significant systems and process not subject to audit in the previous year.	N/A						2	
	Financial Services Governance Arrangements		Overall review of Financial Services Governance arrangements to feed into individual MFS reviews	N/A						5	
	Council Tax		Review of controls in place for processing collection of Council Tax (part of triennial programme of main financial systems)	N/A						20	
	Creditors (including cheque control)		Review of controls in place for payment of creditor invoices (part of triennial programme of main financial systems)	N/A						15	
	Main Accounting System & Budget Monitoring (inc MTFP)		Review of controls in place for financial monitoring (part of triennial programme of main financial systems). Include review of budget setting process to ensure sustainable and realistic budget setting in place over medium term.	N/A						20	
Governance	Good Governance Principles / Local Code of Conduct		Annual update of local code of conduct, including co-ordinating update of governance processes from responsible managers	N/A						5	
Follow Ups	Contingency / Routine Follow Up of Audit Recommendations		Follow up review of implementation of all audit recommendations.	N/A						20	
	Absence Management		Follow up of implementation of recommendations from previous review of Absence Management	N/A						5	
Counter Fraud	Contingency		Contingency for performing fraud investigations, delivering fraud training and progressing annual counter-fraud improvements action plan.	N/A						20	
	Annual fraud review		Annual assessment of authority's counter-fraud arrangements.	N/A						5	
Advice & Consultancy	Procurement review		Focused review of counter-fraud arrangements in place to prevent and identify procurement fraud.	N/A						10	
	Contingency		Contingency for audit advice requested throughout the year.	N/A						10	
	Project Management		Consultancy role to provide advice on implementation of new project management arrangements.	N/A						10	
Contingency	E-Purchasing (Ordering/Creditors) (New System)		Consultancy role to provide advice on full implementation of new system.	N/A						10	
	Contingency		General contingency for additional audit work identified within the financial year (e.g. grant claims) including completion of 2020/21 internal audit plan.	N/A						83	
VFM & Efficiency Reviews	Small grant payments (Community Services)		VFM review of small grant payments to local organisations.	N/A						10	
Audit Committee	Audit Committees - Preparing reports, briefings, attending committee etc.		Time spent preparing reports and attending Audit Committee.	N/A						16	
Planning and Management	General Team Management		Principal Auditor time managing and administering team performance (including team meetings, one to ones, appraisals). 2 hours per week.	N/A						20	
	Team Admin		Auditor time performing administrative tasks (team meetings, timesheets, appraisals). 1 hour per week.	N/A						10	
	Annual review and set up of new documentation		Updating audit manual, including template documents and monitoring systems.	N/A						5	
	Continuous Improvement		Time spent reviewing the way Internal Audit deliver work and enhancing audit processes.	N/A						10	
	Planning (2022/23)		Time spent preparing plan for 2022/23	N/A						5	
Risk Management Sub Group		Principal Auditor attendance at Risk Management sub-group.	N/A						3		
TOTAL PRODUCTIVE DAYS											579
Admin Codes	Annual Leave			N/A						79	
	Bank Holidays			N/A						21	
	Sickness			N/A						13	
	Training			N/A						15	
TOTAL DAYS											707

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 This Charter describes the purpose, authority, responsibilities and objectives of internal audit at Carlisle City Council. It establishes Internal Audit's position within Carlisle City Council and the nature of the Financial Services Manager's (Designated Head of Internal Audit) functional reporting relationships with the Audit Committee.
- 1.2 The Charter also provides for Internal Audit's rights of access to records, personnel and physical properties relevant to audit engagements.
- 1.3 The Council's Internal Audit Service is required to conform to the mandatory Public Sector Internal Audit Standards (PSIAS). These standards comprise a Definition of Internal Auditing, a Code of Ethics, the Seven Principles of Public Life, and the Standards by which internal audit work must be conducted. Any instances of non-conformance with the PSIAS must be reported to the Audit Committee and significant deviations must be considered for inclusion within Annual Governance Statement and may impact on the external auditor's value for money conclusion.
- 1.4 An Audit Charter is one of the key requirements of the PSIAS. As such, failure to approve an Audit Charter may be considered a significant deviation from the requirements of the Standards.
- 1.5 The Charter must be presented to the Council's senior management and final approval of the Audit Charter rests with the Audit Committee. This will be done alongside the approval of the annual audit plan.
- 1.6 The PSIAS uses the terms 'board' and 'senior management' and require that the Audit Charter defines these terms for the purpose of the internal audit activity. For the Council, senior management refers to the Senior Management Team and the 'board' is the Audit Committee, which is charged with responsibility for governance.

2. The Mission of Internal Audit

- 2.1 To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

3. Purpose

- 3.1. Carlisle City Council's Internal Audit Service has adopted the Definition of Internal Auditing from the PSIAS. The definition explains the purpose of the internal audit activity:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- 3.2. The CIPFA Local Government Advisory Note (LGAN) further explains that the Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements (collectively known as the control environment). Internal audit plays a vital part in advising the Council that these arrangements are in place, effective, and operating properly. The mandatory annual internal audit report and opinion informs the Council's annual governance statement (AGS), both emphasises and reflects the importance of this aspect of internal audit's work and provides assurance to the Audit Committee that an effective internal control framework is in place. Senior Management's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.
- 3.3 Internal audit is described by the PSIAS as a key component of good governance within the public sector. When properly resourced, positioned and targeted, internal auditors act as invaluable eyes and ears for Senior Management and the Audit Committee inside the Council, giving an unbiased and objective view on what's happening in the organisation.
- 3.4 Internal Audit's core purpose is to provide Senior Management and Elected Members with independent, objective assurance that the Council has adequate and effective systems of risk management, internal control and governance.
- 3.5 By undertaking an annual risk assessment for each department or business area within the Council, and using this to prepare an annual risk-based audit plan, Internal Audit is able to target resources at the areas identified as highest risk to the Council. In order to recognise changing risk priorities the plan will be flexible and subject to amendment when deemed necessary by the Designated Head of Internal Audit / Principal Auditor / Corporate Director of Finance & Resources. This then allows Internal Audit to give an annual overall opinion on the Council's systems of risk management, internal control and governance.
- 3.6 Internal Audit supports the Corporate Director of Finance & Resources (Section 151 Officer) to discharge their responsibilities under section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 2015, and the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. This Statement places on the Corporate Director Finance & Resources (Section 151 Officer), the responsibility for ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards.
- 3.7 Internal Audit supports the Head of Paid Service (Chief Executive) in providing high level assurances relating to the Council's governance arrangements. Internal Audit also supports the Monitoring Officer (Corporate Director of Governance & Regulatory Services) in discharging their responsibilities for maintaining high standards of governance, conduct, and ethical behaviour.

4 Core Principles for the Professional Practice of Internal Auditing

- 4.1 The Core Principles, taken as whole, articulate internal audit's effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. The designated Head of Internal Audit is responsible for ensuring that internal auditors, as well as the internal audit activity, demonstrate achievement of the Core Principles.
- 4.2 The Core Principles are: -
- a. Demonstrates integrity
 - b. Demonstrates competence and due professional care
 - c. Is objective and free from undue influence (independent)
 - d. Aligns with the strategies, objectives, and risks of the organisation
 - e. Is appropriately positioned and adequately resourced
 - f. Demonstrates quality and continuous improvement
 - g. Communicates effectively
 - h. Provides risk-based assurance
 - i. Is insightful, proactive, and future-focused
 - j. Promotes organisational improvement.

5 The Role of Internal Audit

- 5.1 Internal Audit is an independent, objective assurance and consulting service designed to add value and improve the Council's operations. Internal Audit helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The 'three lines of defence' diagram attached illustrates how Internal Audit supports the governance framework and provides a line of defence in ensuring the Council is adequately managing their risks.
- 5.2 The PSIAS defines consulting services as follows: "Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."
- 5.3 Internal Audit operates as an independent in-house team at the Council, though the team will consider buying-in additional specialist or additional audit services from a third-party supplier as and when required.
- 5.4 The services provided by Internal Audit are designed to assist each of the Council's departments to continually improve the effectiveness of their respective risk management, control and governance frameworks, and processes and to allow an independent, annual opinion to be provided on the adequacy and effectiveness of these arrangements.

5.5 Internal Audit activities in support of this include:

- Planning and undertaking an annual programme of risk-based internal audit reviews focusing on risk management, internal control and governance;
- Undertaking internal audit reviews focusing on reviewing value for money
- Review arrangements for preventing, detecting and dealing with fraud and corruption;
- Review of overall arrangements for risk management and corporate governance;
- Review of grant funded expenditure where assurance is required by funding bodies or where risks are considered to be high;
- Provision of advice on risk and control related matters;
- Consultancy services which may include assurance on projects or service and system development during implementation;
- Investigation of suspected fraud or irregularity or provision of advice and support to management in undertaking an investigation; and advising on strengthening controls following such an incident.

6 Authority, Responsibility and Objectives

Authority

- 6.1 This charter provides the authority for Internal Audit's right of access to all activities, premises, records, personnel, cash and stores as deemed necessary to undertake agreed internal audit assignments. In approving this charter, Senior Management and Members of the Audit Committee have approved this right of access and therefore the responsibility of all officers to comply with any reasonable request from members of Internal Audit.
- 6.2 This charter delegates to the designated Head of Internal Audit, the responsibility to undertake an annual risk assessment for each department in consultation with the Council's management, and from this, prepare a risk-based plan of audit work for approval by the Audit Committee.
- 6.3 Internal audit shall have the authority to undertake audit work as necessary within agreed resources so as to achieve audit objectives. This will include determining the scope of individual assignments, selecting areas, and transactions for testing and determining appropriate key contacts for interview during audit assignments.
- 6.4 The charter establishes that the designated Head of Internal Audit or nominated deputy has free and unfettered access to the Audit Committee and has the right to request a meeting in private with the Chair of the Audit Committee should it become necessary.

Responsibilities and Objectives

- 6.5 Internal audit's primary objective is to undertake an annual programme of internal audit work that allows an annual opinion to be provided on the overall systems of risk management, internal control, and governance for the Council.
- 6.6 The designated Head of Internal Audit and their staff have responsibility for the following areas:

Planning

- Develop an annual internal audit plan using a risk based methodology, based on at least an annual assessment of risk and incorporating risks and concerns identified by senior management;
- Submit the annual audit plan to senior management (SMT) and to Audit Committee for approval; and
- Review agreed audit plans in light of new and emerging risks and report any necessary amendments to agreed plans to Audit Committee (following consultation with the Corporate Director Finance & Resources).

Implementation

- Deliver the approved annual programme of internal audit work and report the outcomes to senior management (as agreed at the scoping stage of each engagement) and Audit Committee. Internal audit reports are also be reported in full to the Audit Committee;
- Assist, as required, in the investigation of significant suspected fraudulent activities within the Council and report the outcomes to senior management (S151 Officer, Monitoring Officer and other relevant Corporate Directors); and
- Monitor implementation of agreed audit recommendations through follow up process and report the outcomes to Senior Management and the Audit Committee.

Reporting

- Any significant issues arising during audit fieldwork will be discussed with management as they are identified;
- Draft audit reports will be produced on a timely basis following all audit reviews and these will be discussed with management prior to finalising, to ensure the factual accuracy of the report and incorporate management responses;
- Quarterly progress reports will be prepared and discussed with management before being reported formally to the Audit Committee;
- Internal audit has a responsibility to report to the Audit Committee any areas where it is considered that management have accepted a level of risk that may be unacceptable to the Council; and
- Internal audit has a duty to bring to the attention of the Audit Committee where the designated Head of Internal Audit, or his/her nominated deputy, believes that the level of agreed resources will impact adversely on the provision of the annual audit opinion.

Relationships with other Inspectorates

- Internal Audit will maintain effective relationships with other providers of assurance and external inspectorates in order to avoid duplication of effort and enable Internal Audit, where appropriate, to place reliance on the work of other providers.

Non-Audit / management responsibilities

6.7 In order for Internal Audit to maintain its independence and thereby provide an independent and objective opinion, there are a number of areas that internal audit is not responsible for:

- Internal Audit does not have any operational responsibilities;

- Internal Audit does not have any part in decision making within the Council or for authorising transactions; and
- Internal Audit is not responsible for implementing its recommendations (though may offer further consultancy advice where necessary) or for ensuring that these are implemented (though implementation of audit recommendations will be monitored and reported to the Audit Committee on a regular basis).

6.8 All Internal Officers will complete an annual declaration of business interests, which will include mitigating controls to prevent any potential conflicts of interest.

6.9 The Designated Head of Internal Audit is also the Council's Financial Services Manager, with management responsibility for the Accountancy team. Several controls have been implemented to prevent any impairment to Internal Audit's independence or objectivity:

- The Audit plan will be agreed by the Senior Management Team collectively.
- Audit reviews are presented to the Audit Committee by the Principal Auditor.
- The scope of all audits are agreed in advance with Chief Officers.
- The Financial Services Manager will not review any work that they have direct operational responsibility.
- Any non-cosmetic amendments requested for reports in this area will be reported to the Audit Committee.
- Satisfaction surveys will not be issued for audits that the Financial Services Manager has operational responsibility.
- The Principal Auditor has a direct reporting access to the Chair of the Audit Committee and Chief Executive.

6.10 The presence of internal audit does not in any way detract from management's responsibilities for maintaining effective systems of governance, risk management and internal control.

6.11 Internal audit's role is to provide senior management and the Audit Committee with assurance that the management have established procedures that allow them to prevent or detect fraud or error, and to respond appropriately should this occur. Internal audit does not have any responsibilities for preventing or detecting fraud or error, this is the responsibility of the Council's managers.

6.12 It is the responsibility of the Council's managers to maintain adequate systems of internal control and to review their systems to ensure that controls continue to operate effectively.

6.13 The role of Internal Audit and the Council's managers is summarised in the diagram attached (Third Line of Defence).

7 Scope of Internal Audit Work

7.1 The scope of Internal Audit work covers the entire systems of risk management, internal control, and governance across the Council. This allows Internal Audit to provide assurance that appropriate arrangements are in place to ensure that:

- the Council's risks are being appropriately identified, assessed and managed;
- information is accurate, reliable and timely;
- employees' actions are in compliance with expected codes of conduct, policies, laws and procedures;
- resources are utilised efficiently and assets are secure;
- the Council's plans, priorities and objectives are being achieved, and
- Legal and regulatory requirements are being met.

8 Position and Reporting Lines for Internal Audit

8.1 Internal Audit reports operationally to the Section 151 Officer (Corporate Director of Finance & Resources) within the Council. Functional reporting is to the Audit Committee.

8.2 On a day to day, basis Internal Audit will report the outcomes of its work to the senior officer responsible for the area under review. Progress and performance of Internal Audit will be monitored by the Section 151 Officer, who is charged with ensuring the Council has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards.

8.3 Internal Audit reports the outcomes of its work to the Audit Committee on a quarterly basis. This includes as a minimum, a progress report summarising the outcomes of Internal Audit engagements as well as the performance of Internal Audit against the approved plan of work.

8.4 On an annual basis, Internal Audit will prepare and present to the Audit Committee, an annual report containing:

- the overall opinion of the designated Head of Internal Audit;
- a summary of the work undertaken to support the opinion, and
- a statement of conformance with the Public Sector Internal Audit Standards.

8.5 Should significant matters arise in relation to the work of Internal Audit, these will be escalated through the management hierarchy and to the Chair of the Audit Committee as appropriate.

8.6 Where major changes are required to agreed audit plans or Internal Audit is required to divert resource to urgent non-planned work, this will be agreed with the Corporate Director of Finance and Resources and / or Chief Executive and reported to the Audit Committee.

8.7 Where changes are less urgent, these will be discussed with senior management and the Chair of Audit Committee before being implemented. All changes to approved audit plans will be reported to the next meeting of the Audit Committee.

9 Ethics, Independence and Objectivity

Ethics

- 9.1 Internal Audit works to the highest standards of ethics and has a responsibility to both uphold and promote high standards of behaviour and conduct.
- 9.2 All internal auditors working within the UK public sector are required to comply with the mandatory Code of Ethics contained within the PSIAS, and the Seven Principles of Public Life. Internal Auditors will also be expected to adhere to the Officer's Code of Conduct in place for Carlisle City Council. As such this Code has been adopted by the Internal Audit and all staff will be requested to sign up to the Code on an annual basis. Auditors within the service are also required to comply with the codes of ethics of their professional bodies.

Independence

- 9.3 Internal Audit is independent of all of the activities it is required to audit which ensures that Audit Committees can be assured that the annual opinion they are given is independent and objective. While the designated Head of Internal Audit reports operationally to the Section 151 Officer (Corporate Director of Finance & Resources) there is also a functional reporting line to the Audit Committee and the designated Head of Internal Audit / Principal Auditor both have direct access to the Chair of Audit Committee.
- 9.4 Internal auditors will not undertake assurance work in areas for which they had operational responsibility during the previous 12 months.
- 9.5 Internal Audit will report annually to the Audit Committee to confirm that the independence of Internal Audit is being maintained.

Resourcing, Proficiency and Due Professional Care

- 9.6 For internal audit to provide an opinion to the Council within Internal Audit there must be a sufficiently resourced team of staff with the appropriate mix of skills and qualifications. Resources must be effectively deployed to deliver the approved programmes of work. This may include bought-in specialist audit services, such as IT from third parties.
- 9.7 It is the responsibility of the Senior Management Team to ensure that they approve a programme of audit work sufficient to provide an adequate level of assurance over their systems of risk management, internal control and governance.
- 9.8 Internal Auditors, by the nature of their work, will receive and review significant volumes of information from the various clients of Internal Audit. Confidentiality is therefore paramount and all internal audit staff are bound by the mandatory Code of Ethics within the PSIAS (in addition to compliance with the General Data Protection Regulations). The Code requires that auditors do not disclose information without the appropriate authority unless there is a legal or professional obligation to do so.
- 9.9 In line with the requirements of the Standards, in the event that the designated Head of Internal Audit considers that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences will be brought to the attention of the Audit Committee.

- 9.10 In line with the requirements of the PSIAS and the CIPFA Statement on the Role of the Head of Internal Audit (2010), the designated Head of Internal Audit, is professionally qualified and appropriately experienced.

The Role of Internal Audit in Fraud-related work

- 9.11 The PSIAS require that the role of internal audit in any fraud-related work is defined within the audit charter.
- 9.12 Internal audit may undertake planned reviews of areas considered to be at risk of fraud, including an annual review of counter-fraud arrangements. Such reviews will be included within audit plans following discussion with management for approval by the Audit Committee. In addition, where relevant, the risk of fraud is considered when undertaking risk-based audit reviews.
- 9.13 It is recommended that the Council reviews its counter-fraud and confidential reporting (whistle blowing) arrangements and ensures appropriate arrangements are in place for reporting and investigating suspected frauds or other irregularities, including the reporting of frauds to Internal Audit. The Council's Counter Fraud Policy states that senior management are responsible for following up any allegation of fraud or corruption that is received and are required to report all suspected irregularities to the Corporate Director of Finance & Resources. The Corporate Director of Finance & Resources will liaise with the designated Head of Internal Audit (or Principal Auditor) to determine the appropriate way to proceed, including ensuring that any investigation is undertaken by suitably qualified and experienced staff.

Advice / Consultancy work

- 9.14 Where Internal Audit is requested to provide advice, consultancy, or investigatory work, the request will be assessed by the designated Head of Internal Audit. Such assignments will be accepted where it is considered the following criteria are met:
- The work request aligns with the available skills and resources within Internal Audit at the time;
 - The assignment will contribute to strengthening the control framework;
 - No conflict of interest could be perceived from Internal Audit's acceptance of the assignment; and
 - The request relates to functions that are the responsibility of the Council's management.
- 9.15 In line with the PSIAS, approval will be sought from the Audit Committee for any significant additional consulting services not already included in the audit plan prior to accepting the engagement.

10 Management and Board Responsibilities

- 10.1 The responsibilities of the Audit Committee are defined within its own Terms of Reference, but in summary the Committee is responsible for considering Internal Audit's annual report and opinion, as well as all internal audit reports throughout the year. The Committee is also responsible for reviewing the effectiveness of the Internal Audit function

10.2 For Internal Audit to be fully effective, it needs the full commitment and cooperation from management in the Council. In approving this Charter, the S151 Officer (Corporate Director of Finance & Resources) and the Audit Committee are mandating management to cooperate with Internal Audit in the delivery of the service by:

- Attending audit planning and scoping meetings and agreeing the terms of reference for individual audit assignments on a timely basis;
- Sponsoring each audit assignment at Service Manager level or above;
- Providing Internal Audit with full support and cooperation, including complete access to all records, data, property and personnel relevant to the audit assignment on a timely basis;
- Responding to internal audit reports and making themselves available for audit finding and closeout meetings to agree draft audit reports;
- Implementing audit recommendations within agreed timescales.

10.3 Instances of non-cooperation with reasonable audit requests will be escalated through the Senior Management Team and ultimately to the Audit Committee.

10.4 While Internal Audit is responsible for providing independent assurance to the Council and the Audit Committee, it is the responsibility of the Council's management to develop and maintain appropriately controlled systems and operations. Internal Audit does not remove the responsibility from management to continually review the systems and processes for which they are responsible and to provide their own assurances to senior management and elected Members that they are maintaining appropriately controlled systems.

11 Quality Assurance

11.1 The PSIAS require that the Internal Audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. Internal Audit will report the outcomes of quality assessments to the Audit Committee through its regular and annual reports.

Internal assessments

11.2 All internal audit reviews are subject to management quality review to ensure that the work meets the standards expected for audit staff. Such management review will include:

- Ensure the work complies with the PSIAS;
- Work is planned and undertaken in accordance with the level of assessed risk; and
- Appropriate testing is undertaken to support the conclusions drawn.

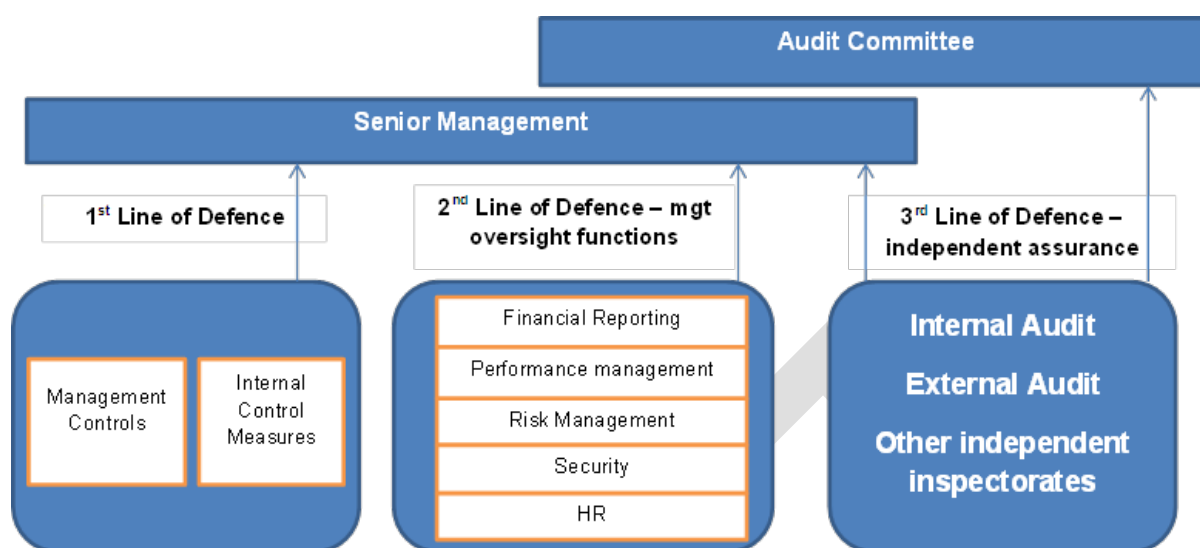
External assessments

11.3 An external assessment must be conducted at least every five years by a qualified, independent assessor from outside the Council. The last review was performed in 2018/19. The Internal Audit team was found to be compliant with the PSIAS.

12 Review of the Audit Charter

12.1. This Charter will be reviewed annually and approved alongside the annual audit plan.

Internal Audit - The Third Line of Defence



The above diagram demonstrates the three lines of defence in ensuring that the Council is adequately managing its risks.

The first line of defence comprises the arrangements that operational management have implemented to ensure risks are identified and managed. These include the controls that are in place within systems and processes together with the management and supervisory oversight designed to identify and correct any issues arising.

The second line of defence refers to the strategic oversight arrangements that are designed to provide management with information to confirm that the controls in the first line of defence are operating effectively. For example, the risk management policies and strategies that determine how risks within the Council will be identified, assessed and managed and the reporting arrangements to confirm that these policies and strategies are being appropriately implemented and complied with.

Internal audit forms the third line of defence alongside other independent providers of assurance. The role of internal audit is to provide the senior management and Elected Members of the organisation with assurance that the arrangements within the first and second lines of defence are adequate and working effectively to manage the risks faced by the organisation.

Report to Audit Committee

Agenda
Item:

A.5

Meeting Date: 15 March 2021
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2020
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD58/20 (amended)

Purpose / Summary:

This report provides the regular quarterly summary of Treasury Management transactions for the third quarter of 2020/21 and was received by the Executive on 8 February 2021. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter.

The Committee is asked to note that since the report was considered by Executive, CIPFA have issued two consultations on the Treasury Management Code of Practice and the Prudential Code. Further details of these consultations are outlined in paragraph 1 below, prior to the quarterly monitoring progress report. Any feedback received following the consultation process will be reported to a future committee.

Recommendations:

The Audit Committee is asked:

- To note, and make any observations on, the quarterly position on treasury management activities and transactions which have taken place; and
- To note the two open consultations on Treasury Management and the Prudential Code and delegate responsibility for responding to these to the Corporate Director of Finance & Resources, following consultation with the Chair of the Audit Committee and the Portfolio Holder for Finance, Governance and Resources.

Tracking

Executive:	8 February 2021
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1.0 CIPFA CONSULTATIONS

1.1 On 1st February 2021 CIPFA released two consultation documents setting out their proposed changes to the current versions of the Treasury Management Code (previously updated in 2018) and the Prudential Code (previously updated in 2017). Both consultations are due to close on 12th April and the Council is currently assessing the implications of the consultations and will respond with its views by the deadline.

1.2 Treasury Management Code Consultation

The key changes impact on Treasury Management Practices (TMP's) which outline how a treasury function should operate. The TMP's affected by the consultation are:

- TMP10 – Training and Qualifications;
- TMP12 – Corporate Governance; and
- TMP13 – A new TMP covering Environmental, Social and Governance Management

There is also a proposed change to the Treasury Management indicators for the maturity structure of borrowing.

1.2.1 **TMP10 – Training and Qualifications**

It is proposed to strengthen the requirements of TMP10, that requires an organisation to recognise the importance of all staff and council members having the required skills and knowledge to be able to undertake their duties and responsibilities. Any training that is required should now be specified in the TMP.

It is therefore proposed to amend the TMP as follows:

*The responsible officer will recommend and implement the necessary arrangements, **including the specification of the expertise, knowledge and skills required by each role/member of staff.***

This will also require a knowledge and skills schedule to be produced and recorded that would include:

- The aims and objectives of the knowledge and skills schedule.
- Relevant legislation, guidance and other specifications (e.g. MIFID II, CIPFA Treasury Management Code of Practice, statutory investment guidance issued by government) that must be understood and complied with to ensure that staff or board/council members are able to fulfil their roles.
- The staff/role or board/council members to whom the policy applies.
- The relevant competencies for each role.

- How the training will be delivered, e.g. in house training, external courses (specifying the type course followed), the need for formal qualifications), this would include induction requirements.
- How the regularly the training will need to be provided.
- How the training will be recorded.
- How the knowledge or skills will be monitored, including gaps in training or requisite knowledge will be determined.
- How, where and when reports will be provided on the monitoring and review of the requirements of the knowledge and skills schedule.

1.2.2 **TMP12 - Local Authority Treasury Management Governance**

CIPFA considers that corporate governance issues arising from more complex treasury management functions and decisions, and corporate responsibilities arising from MiFID II (Markets in Financial Instruments Directive), and TMP12 may need to be broadened.

This applies as numerous local authorities have taken up the option of a professional client status allowing them to trade in more complex investment instruments.

1.2.3 **TMP13 – Environmental, Social and Governance Risk Management (ESG Risk Management)**

Local authority and other public sector stakeholders are increasingly interested in environmental and social issues. Substantial numbers (around 75%) of local authorities have declared climate emergencies. Similarly, recent events have meant that social issues such as diversity and modern slavery have also increased the need for social awareness and demonstration of this awareness in local authority policies. More financial investments and institutions offer incentives for green criteria. Local authorities and their stakeholders are increasingly aware of the importance of these issues and the significance that investing in these areas will have.

The risks associated with environmental, social and governance (ESG) related investments must be understood and managed by local authorities; for example, these include climate and carbon related risks and might for example focus on high energy sectors. Building ESG risk management into treasury management is an essential part of future proofing its processes and supporting social and environmental change.

CIPFA considers that it is timely therefore to introduce a new treasury management practice into the Code which will establish, implement, and monitor the arrangements for the identification, management and control of ESG risks.

1.3 Prudential Code Consultation

The Prudential Code outlines the requirements for local authorities who are required by regulation to have regard to the Code when carrying out their duties under Part 1 of the Local Government Act 2003. The key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

The revisions to the Code set out in the consultation come as a result of continuing commercial activity by a few local authorities, particularly the purchase of commercial property. The Public Accounts Committee recommended that the Code therefore be reviewed.

In total there are 16 questions asked by the consultation.

1.3.1 **Borrowing in Advance of Need**

In the last five years there has been an increasing trend for authorities to purchase property solely to make an investment return. Particular concerns arise when these investments have been financed from borrowing especially where this does not accord with paragraph 45 of the Prudential Framework, which states that "Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed".

The consultation therefore asks for views on amending this paragraph.

1.3.2 **Objectives of the Code**

There has been a substantial increase in commercial investment in recent years and it is vital that this investment is consistent with the principles in this Code and the prudential and statutory framework in which local authorities operate.

CIPFA is clear that its statement within the Prudential Code i.e. that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed must be adhered to and has issued guidance in its publication Prudential Property Investment. Paragraph 25 of

the Code already sets out that commercial activity should be proportional to overall resources.

However, CIPFA is of the view that to emphasise the importance of proportionality for capital expenditure generally and for commercial investment particularly that this should be explicitly included in the objectives of the Prudential Code. Note that these have been included on a principles' basis and subject to these principles being agreed more detail will be provided in the updated Prudential Code.

1.3.3 Scope and Status of the Prudential Code

The consultation asks for views on extending the status of the Code from the Executive Summary to be included in the overall Code itself.

1.3.4 Capital Strategy

The consultation seeks views on augmenting the original section regarding commercial activities to include a requirement to assess affordability and detailing financial and other risks of undertaking commercial activities.

1.3.5 Prudential Indicators

The prudential indicators in the Prudential Code are designed to demonstrate how a local authority is achieving the objectives of the Prudential Code. Prudential indicators required by the Prudential Code are intended to support and record local decision-making in a manner that is publicly accountable on a local and a national basis. The Code suggests that the indicators are not designed to be comparative performance indicators (though obviously they provide internal comparisons for the authority itself). It is important though that the indicators should not solely record local decision making but should support the decisions made throughout local authorities' capital planning processes.

The consultation therefore seeks views on the:

- number and usefulness of the indicators used in the prudential code,
- where they might be reduced if they are not considered useful,
- where new indicators might be needed to support decision making,
- where more explanation or description might be needed in the prudential code to ensure that local authorities understand what they measure and why they are included.

2.0 Council Response

- 2.1 The Council is considering the consultations and will respond by the closing deadline. We will also take views from our Treasury advisors, Link, who will also

be responding to the consultation. The details of the final response will be reported to the Audit Committee at their next meeting.

Report to Executive

Agenda
Item:

Meeting Date: 8 February 2021
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2020
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 58/20

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be received, and the Prudential Indicators noted as at the end of December 2020.

Tracking

Executive:	08 February 2021
Audit Committee:	15 March 2021
Council:	Not applicable

1. INTRODUCTION

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period to October - December 2020

- **Appendix A1** – Treasury Transactions October to December 2020
- **Appendix A2** – Investment Transactions October to December 2020
- **Appendix A3** – Outstanding Investments at December 2020

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2020/21:

- **Appendix B1** – Prudential Code background
- **Appendix B2** – Prudential Indicators

2. RISKS

2.1 Treasury Management considers risks associated with investments with counterparties however the Treasury Management strategy statement outlines the risk management approach to minimise this.

3. CONSULTATION

3.1 Consultation to Date.
None.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That this report be received, and the Prudential Indicators noted as at the end of December 2020.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement.

Contact Officer: Emma Gillespie

Ext: 7289

**Appendices
attached to report:**

**Appendix A1 – Treasury Transactions October to December
2020**

**Appendix A2 – Investment Transactions October to December
2020**

Appendix A3 – Outstanding Investments at December 2020

Appendix B1 – Prudential Code background

Appendix B2 – Prudential Indicators

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– The Council has a fiduciary duty to manage its finances properly and the proper reporting of budget monitoring is part of this process.

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 TRANSACTIONS
OCTOBER 2020 to DECEMBER 2020

1. LOANS (DEBT)1.1 Transactions October to December 2020

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0	0	0
Local Bonds	0	0	0	0
Short Term Loans	0	0	0	0
Overnight Borrowing	0	0	0	0
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. Procedures, adopted to map the cash flow more accurately, ensure better forecasting and limits the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at December 2020

	£
P.W.L.B.	8,775,000
P.W.L.B.	4,750,000
Short Term Loans	12,800
	13,537,800

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end of December 2020	475,000	0	12,800	487,800

1.4 Interest Rates

Link Group forecast that bank rate will remain the same at 0.1% throughout 2021.

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	20,250,000	0.01 - 0.10	18,250,000	0.10 - 1.10
	20,250,000		18,250,000	

A full schedule of short term investment transactions is set out in Appendix A2. Appendix A3 shows outstanding short term investments at 31 December 2020.

3 REVENUES COLLECTED

To: 31 December 2020		Collected £	% of Amount Collectable %
2020/21	Council Tax NNDR	55,482,133 17,181,774	83.13 77.31
Total		72,663,907	81.68
2019/20	Council Tax NNDR	54,392,007 36,575,629	84.83 82.38
Total		90,967,636	83.83
2018/19	Council Tax NNDR	51,260,075 37,853,369	84.80 84.22
Total		89,113,444	84.55

Collection levels have been fairly stable in each of the past three years; however, the impact of COVID-19 has had an impact on the revenues received in 2020/21 especially in relation to NNDR. Normal debt recovery procedures have recommenced whilst still providing support to rate payers and safeguarding the Council's cash position.

4 BANK BALANCE

At 31 December 2020 £977,047.62 in hand.

This records the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS
TO DECEMBER 2020

April –December 2020

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(199)	(224)	(25)
Interest Payable	751	282	(469)
Less Rechargeable	0	0	0
	751	282	(469)
Principal Repaid (MRP)	0	0	0
Debt Management	12	13	1
NET BALANCE	564	71	(493)

The profiled budget is to 31 December 2020.

Interest receivable is ahead of expectations due to higher than forecast average cash balances even though interest rates have fallen to 0.1%. However, it is expected this position will worsen during the remainder of the financial year as cash balances reduce and investments on call deposits mature and funds are reinvested at an expected lower return.

Interest payable is lower than expected as no new borrowing has been undertaken in this financial year.

The CCLA property investment saw a slight decrease in the capital value to the end of December. Dividends and yield levels are currently 4.49%.

APPENDIX A2

SHORT TERM INVESTMENT TRANSACTIONS OCTOBER TO DECEMBER 2020

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
HSBC	6,000,000.00		HSBC	250,000.00
HSBC	3,000,000.00		HSBC	1,000,000.00
HSBC	4,000,000.00		Handelsbanken	4,000,000.00
HSBC	5,000,000.00		HSBC	6,000,000.00
HSBC	2,250,000.00		Bank of Scotland	2,000,000.00
			Bank of Scotland	2,000,000.00
			HSBC	3,000,000.00
TOTAL	20,250,000			18,250,000
			Bfwd	20,175,093
			Paid	20,250,000
			Repaid	18,250,000
			Total	22,175,093
			CCLA Change	46,042
			Total	22,221,135

Outstanding Investments as at 31 December 2020

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors (UK)	4,000,000	0.01%		MMF			
O	HSBC UK	9,000,000	0.10%		Call31			
O	HSBC UK	1,000,000	0.01%		Call1			
R	Santander UK	2,000,000	0.58%		Call180			
R	Santander UK	3,000,000	0.58%		Call180			
Total Investments		£19,000,000	0.20%					£0

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Entry Cost (£) ¹	Initial Market Value (£)	Unrealised Growth (£)
CCLA Property Fund	3,221,135	4.49%	31/07/2014	3,000,000	(163,104)	2,836,896	221,135

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.

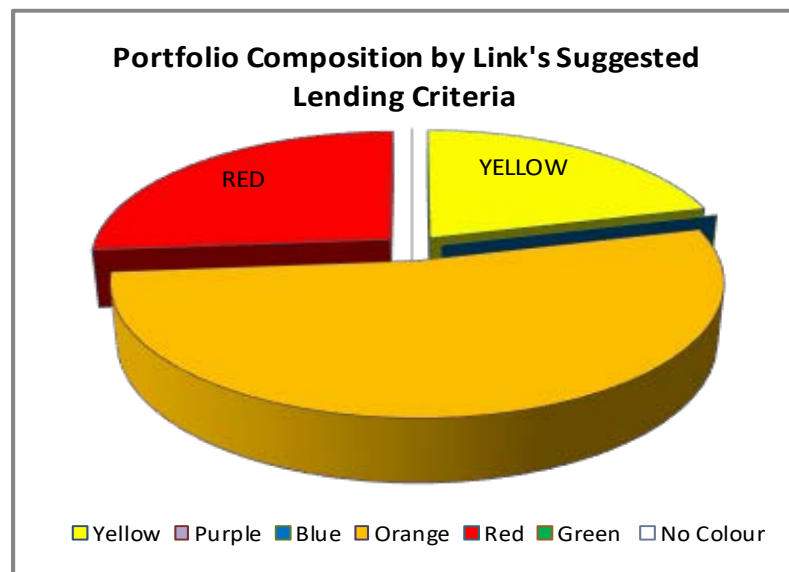
The category colour represents the duration of investment recommended by Link, the Council's Treasury Advisors. Those investments with no colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

Investment Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Dats to Maturity from Execution
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution
Yellow	21.05%	4,000,000	100.00%	4,000,000	21.05%	0.01%	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	52.63%	10,000,000	100.00%	10,000,000	52.63%	0.09%	28	28
Red	26.32%	5,000,000	100.00%	5,000,000	26.32%	0.58%	180	180
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.0%	19,000,000	100.00%	19,000,000	100.00%	0.20%	62	62

Risk Score for Colour (1 = Low, 7 = High)	Dec 2020	Sep 2020	Jun 2020	Mar 2020
1	0.2	0.2	0.04	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	2.1	1.9	2.7	2.8
5	1.3	1.5	1.4	1.1
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	3.6	3.6	4.1	3.9

	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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THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making Capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the Capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. 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'. 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.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, Capital expenditure, and treasury management. Set out below are the indicators for 2020/21 to date as detailed in the Treasury Management Strategy Statement for 2020/21.

(a) Affordability

	2020/21 Original Estimate £	2020/21 Revised Estimate £
(i) Capital Expenditure	29,915,800	20,400,400
(ii) Financing Costs Total Financing Costs	1,241,500	386,700
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,386,000	13,386,000
(iv) Ratio of Financing Costs to Net Revenue Stream The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.	9.27%	2.89%
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	8.39	7.45
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	44,100,000	44,100,000
	34,081,000	34,381,000
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2020/21 Original Estimate £	2020/21 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.	39,100,000 34,081,000	39,100,000 34,081,000
(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.	38,793,000	24,676,000

(b) Prudence and Sustainability

	2020/21 Original £
(i) New Borrowing to Date Long Term Borrowing has been taken in 2020/21 to date	0 0
(ii) Percentage of Fixed Rate Long Term Borrowing at December 2020	100%
(iii) Percentage of Variable Rate Long Term Borrowing at December 2020 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.	0%
(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at December 2020 As part of the Capital Investment Strategy for 2020/21, 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%

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 8 FEBRUARY 2021

EX.26/21 TREASURY MANAGEMENT OCTOBER – DECEMBER 2020
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader submitted report RD.58/20 providing the regular quarterly report on Treasury Transactions, including the requirements of the Prudential Code.

The Deputy Leader moved, and the Leader seconded, the recommendation.

Summary of options rejected none

DECISION

That Report RD.58/20 be received, and the Prudential Indicators noted as at the end of December 2020.

Reasons for Decision

To ensure that the Council's investments are in line with the appropriate policies, including the Treasury Management Strategy Statement

Report to Audit Committee

Agenda
Item:

A.6

Meeting Date: 15 March 2021
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework YES
Public / Private Public

Title: INTERNAL AUDIT PROGRESS 2020/21 (JANUARY TO FEBRUARY)

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number: RD67/20

Purpose / Summary:

This report provides an overview of the work carried out by Internal Audit between January and February of 2020/21. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

Recommendations:

The Committee is requested to

- i) note the progress against the audit plan for 2020/21;
- ii) note the progress made on audit recommendations to date outlined in Appendix B.

Tracking

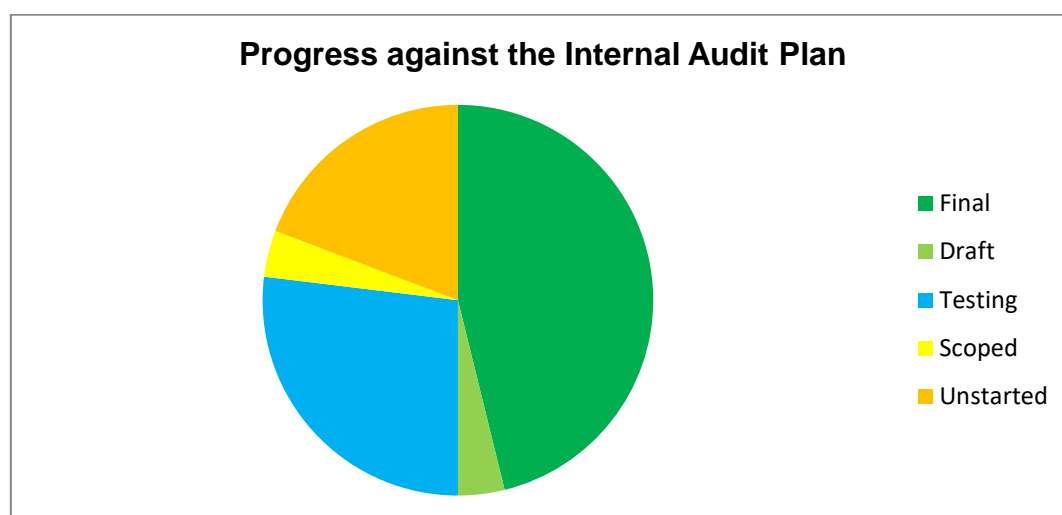
Audit Committee:	15 March 2021
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 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 January to February 2021.

2. PROGRESS AGAINST AUDIT PLAN

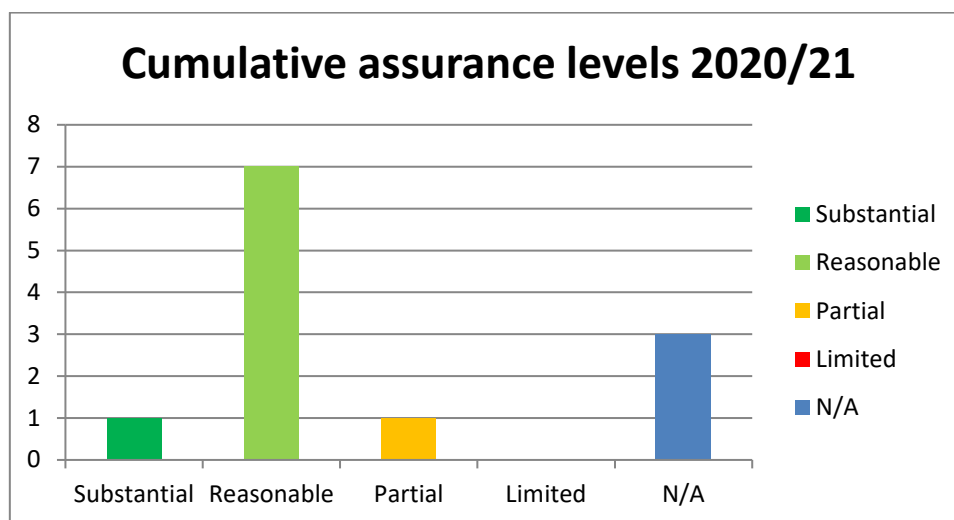
- 2.1 Progress against the 2020/21 audit plan is detailed at **Appendix A**. 50% of planned reviews have been finalised to draft stage and an additional 20% is in progress. Following the successful procurement of additional temporary resource (see below) it is anticipated that further progress will be made against the plan by May 2021.



- 2.2 2 planned pieces of work were completed in the period.

Review Area	Assurance Level
Safe Recruitment	Reasonable
Financial Services Governance Arrangements	Substantial

These are considered elsewhere on the agenda.



2.3 Audit resource was also utilised on the following during the period:

- Counter-fraud lead for Covid-19 grant payments (reviewing ad-hoc queries from fraud intelligence services. No fraudulent activity identified to date)
- Audit advice to Property Services in relation to the sale of surplus equipment
- Audit advice to Payroll in relation to payment of additional hours to cleaners
- Audit advice to Payroll in relation to removal of casual officers from database.
- Audit management activity to procure additional temporary resource
- Audit management activity to induct new starters to Auditor posts

2.4 Internal Audit was also involved in progressing the ongoing Effectiveness Review of the Audit Committee. A note and improvement plan has been issued and Members have been asked to complete a skills assessment to inform future training provided to Committee Members.

3 PERFORMANCE INDICATORS

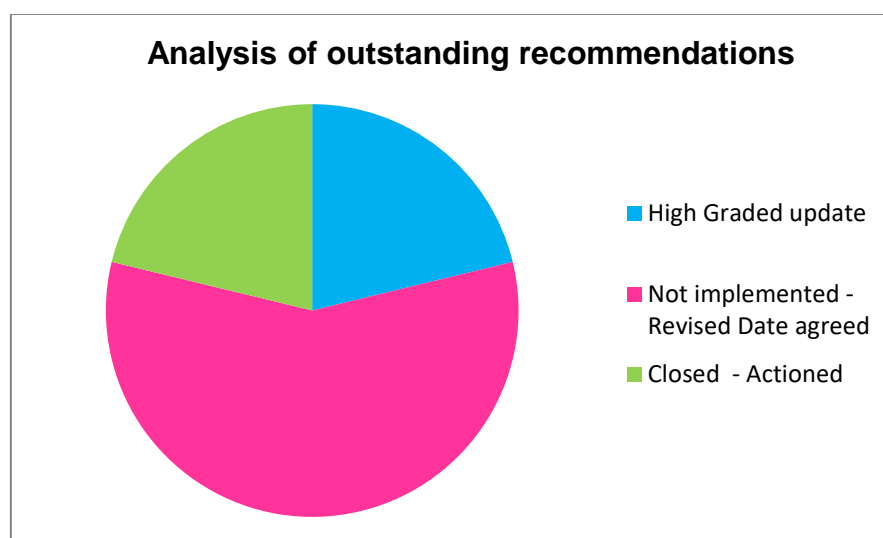
3.1 To provide an effective internal audit service, there needs to be a measure of the performance it achieves. The table below shows progress against indicators agreed for 2020/21.

Indicator	Target (YTD)	Performance	Comments
Planned Audits Completed	83%	50%	Ann target 90%
Timely Draft Reports (within 3 months of fieldwork starting)	80%	58%	
Timely Final Reports (within 8 days of client response)	90%	90%	
Recommendations Agreed	95%	100%	
Assignments completed (within 10% of allocated resource)	60%	58%	
Positive feedback	90%	100%	
Chargeable time	80%	70%	
Recommendations implemented	80%	62%	

- 3.2 Due to the disruption of Covid-19, alongside vacancies and a long-term absence within the team, completion of the Internal Audit plan is currently below target. However, temporary additional resource has been procured until May 2021 to assist with completion of the plan.
- 3.3 A contingency has been included in the 2021/22 plan (elsewhere on this agenda) to reflect the additional work required to complete the plan during April-May 2021.
- 3.4 This disruption has also resulted in delays in finalising fieldwork, resulting in some draft reports taking longer to complete than normally expected and there have been delays in implementing recommendations in line with agreed timescales.

4 AUDIT RECOMMENDATIONS

- 4.1 **Appendix B** shows a summary position of outstanding audit recommendations reviewed within the period and progress made against implementing these (it should be noted that Internal Audit have changed the reporting format to only include those recommendations reviewed within the period). Once the agreed implementation date has passed, internal audit will ask the responsible officer for an update of progress. The responses will then be reported to the next available Audit Committee meeting and, if implemented, will then be 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 7 out of 26 recommendations followed up were found to have been fully implemented (4 of which were followed up for the first time). The schedule also notes informal progress for 7 outstanding high-graded recommendations not currently due to be followed up.



- 4.3 The primary reason for delays relates to the Covid-19 pandemic, which has caused disruption to all Council services. Internal Audit have updated processes to work more closely with Senior Management to ensure recommendations not implemented within agreed timescales are actioned on a timelier basis.

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

The Committee is requested to

- i) note the progress against the audit plan for 2020/21;
- ii) 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 Officer: Michael Roper

Ext: 7520

**Appendices
attached to report:**

**Appendix A – Progress against Audit Plan and Timeline of
audits**

**Appendix B – Progress against previous Audit
Recommendations**

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

- None

CORPORATE IMPLICATIONS/RISKS:

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.

Finance – Contained within the report

Equality – None

Information Governance – None

CARLISLE CITY COUNCIL
PROGRESS AGAINST REVISED AUDIT PLAN 2020/21

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services / Revenues & Benefits	MFS	Internal Control Questionnaires - Non Audited Systems	2	2	Final	Jul 20	N/A	
Council-wide	Governance	Good Governance Principals / Local Code of Conduct	10	11	Final	Jul 20	N/A	
Council-wide	Corporate	Environmental Strategy	15	12	Final	Sep 20	Partial	
Financial Services	Directorate	Insurance	20	22	Final	Sep 20	Reasonable	
Council-Wide	Value for money	Fees & Charges	10	8	Final	Sep 20	Reasonable	
Regulatory Services	Directorate	Local Air Quality Management	20	22	Final	Dec 20	Reasonable	
Health & Well-being	Directorate	City Centre (inc special events/inspections)	20	28	Final	Dec 20	Reasonable	
Financial Services	MFS	Income	15	19	Final	Dec 20	Reasonable	
Carlisle Partnership	Value for money	Carlisle Partnership	10	12	Final	Dec 20	Reasonable	
Council-wide	Counter	Annual fraud review	5	5	Final	Dec 20	N/A	
HR & Payroll	Directorate	Safe recruitment (including health checks etc).	10	13	Final	March 21	Reasonable	
Financial Services	MFS	Financial Services Governance Arrangements	3	3	Final	March 21	Substantial	
Council-wide	Follow-up	Environmental Strategy	5	8	Draft			
Revenues & Benefits	Counter-Fraud	Business Grants (Covid 19)	10	10	Testing			
Revenues & Benefits	MFS	Housing Benefits	20	19	Testing			
Revenues & Benefits	Directorate	Rev & Ben Revenue Recovery	5	1	Testing			
Electoral Services	Directorate	Electoral Registration	20	19	Testing			
Financial Services	MFS	Debtors	15	5	Testing			

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services	MFS	Payroll	15	5	Testing			
ICT Services	Follow-Up	ICT Various	10	8	Testing			
Council-wide	Follow-up	Driver Checks	5	0	Scoped			
Regeneration	Directorate	Future High Street Fund	20	0	Scoping			
Health & Well-being	Directorate	Community Centres	20	0	April 21			
Waste Services	Directorate	Waste Services Culture Review	15	0	April 21			
Homelessness Services	Directorate	Homeless Accommodation (Part 2)	5	0	Scoping			
Property Services	Directorate	Property Income	20	0	April 21			
Development Management	Directorate	Development Control	0	6	Cancelled (Proposed review in 21/22 plan)			
Council-wide	Corporate	Risk Management	0	0	Removed (Assurances from external review)			
Regeneration	Consultancy	Small business Grants	0	0	Removed (Low Risk)			
ICT Services	ICT	Specialist Review	0	0	Removed (Limited added value)			
			Follow-up contingency	10	12			
			Counter Fraud Contingency	20	10			
			Advice & Guidance Contingency	10	13			
			General Contingency	17	19			
			Audit Committee	16	16			
			Planning & Management	58	68			
			OVERALL TOTAL	456	378			

* Days taken as at 26th February (excludes leave and training days)

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
B1703	Flexitime & Toil (Reasonable)	The use of the Flexi bank procedures should be reviewed to ensure they are applied consistently.	M	Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Use of flexi bank procedures will be reviewed alongside the flexi policy and additional guidance issued to Managers and staff, if appropriate.	HR Manager	31 March 2019	31 July 2021	3	A wholesale review of flexi system to be undertaken as part of iTrent Development Plan and Policy review, to take place pending system tender.
B1703	Flexitime & Toil (Reasonable)	The policy should be more specific with regards to guidance for travel for courses / training.	M	Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Existing guidance for travel time, expenses and mileage will be updated for Managers and staff to supplement the current Flexitime scheme.	HR Manager	31 March 2019	31 July 2021	3	A wholesale review of flexi system to be undertaken as part of iTrent Development Plan and Policy review, to take place pending system tender.
H1802	Corporate Charge Card (Reasonable)	Card holders should sign a declaration to confirm their adherence to the credit card procedures (including ensuring only they use the card and that the suitable supporting documentation is obtained and completed). Card usage should be independently spot checked to ensure procedures are being adhered to.	H	Safeguarding of corporate charge cards is not effective because unauthorised individual can access / use the cards. Poor quality information resulting in incomplete financial records. Reputational damage / financial loss / sanctions due to non-compliance with legislation and procedures and inappropriate purchases being undertaken	A declaration form will be prepared and issued to all card holders to sign. This will be updated annually.	Financial Services Manager	30 June 2018	30 May 2020	4	Declarations now in place for all credit card users and this recommendation is closed. Going forward the Council is exploring new processes in relation to use of charge cards. Internal Audit will provide control advice on any proposed changes to the process.
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	2	Database review commenced, archiving software used to delete dormant bank details for DD accounts. Further record deletion on an ongoing basis to be evaluated and progress monitored.
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	3	Small working group met in October 2020 - actions to follow in terms of updating the casual documents and agency contracts reviewed. iTrent also requires process to book and accrued annual leave like a normal employee. Due to resignation of HR Manager and current capacity within the team this has been put on hold.
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	31 July 2021	3	
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	31 July 2021	3	
B1803	Safeguarding (Reasonable)	Recommendation 3 – The Council should ensure all staff required to complete corporate training in relation to adult and child protection complete the relevant modules within Skillgate.	M	Staff are not appropriately trained and as a result individual safeguarding concerns are not raised	A reminder will be issued to all relevant officers asking them to complete the relevant Skillgate training modules.	Corporate Director of Finance and Resources / Workforce Development Manager	01-Jul-19	01 July 2021	3	A refresh of training requirements has been carried out to ensure all individuals receive up to date training. As at time of the follow-up c.18 individuals are still to perform training (due to current pandemic pressures). Process is underway to issue reminders to all relevant staff and an update for Members is also planned prior to a full Council meeting early in 2021/22.

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
D1803	Garages (Reasonable)	Recommendation 1 - The Draft Fleet Strategy should be completed, approved and shared corporately	H	Council unable to deliver efficient services due to aging not fit for purpose fleet	Fleet Strategy to be agreed.	Fleet and Depot Manager	30 September 2019	31 March 2020	3	Strategy approved by SMT September 2020 and presented at Manager's briefing in October - closed.
D1803	Garages (Reasonable)	Recommendation 8 – Cash banking should be undertaken regularly, and risk assessment should be completed for cash carrying.	M	Theft/damage to assets due to a failure to properly safeguard against loss.	Cash to be banked on a monthly basis. New reception facilities will reduce risks to staff. Chip and Pin payment system to be installed to reduce cash handling risks / costs / values.	Fleet and Depot Manager	30 April 2019	31 March 2020	3	Cash payments reduced significantly with implementation of chip and pin payment facility. Arrangements made for regular cash payments via Loomis (Car Parking income collection service). Closed.
M1801	R&B Shared Service (VFM) (Reasonable)	Recommendation 2 - The Service Level agreement should be signed by all parties.	M	Failure to achieve value for money	Agreement to be signed, subject to any amendments, as the arrangements are currently being reviewed.	Revenues and Benefits Operations Manager	31 st December 2019	30th August 2021	2	There has been a delay on progressing on the review of ICT Options due to additional team pressures and vacancies within ICT. Progress anticipated at start of 2021/22. Once an Options Appraisal is available, the team will consider overall implications for the Partnership, to determine the VFM of the arrangements.
M1801	R&B Shared Service (VFM) (Reasonable)	Recommendation 3 – 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	Sharing Agreement to be check for GDPR compliance and then signed by all parties.	ICT Service Manager	31 st July 2019	30 August 2021	2	There has been a delay on progressing on the review of ICT Options due to additional team pressures and vacancies within ICT. Progress anticipated at start of 2021/22. Once an Options Appraisal is available, the team will consider overall implications for the Partnership, to determine the VFM of the arrangements.
M1801	R&B Shared Service (VFM) (Reasonable)	Recommendation 5 - Prior to the renewal of the Partnership arrangements consideration should be given to the impact of additional work undertaken by Carlisle City Council staff. Consideration should be given to charging for work undertaken in addition to the SLA agreement.	M	Failure to achieve value for money	Additional work to be evaluated and options for charging, if required, determined	Revenues & Benefits Operations Manager/ICT Service Manager	30 th September 2019	30 August 2021	2	There has been a delay on progressing on the review of ICT Options due to additional team pressures and vacancies within ICT. Progress anticipated at start of 2021/22. Once an Options Appraisal is available, the team will consider overall implications for the Partnership, to determine the VFM of the arrangements.
M1801	R&B Shared Service (VFM) (Reasonable)	Recommendation 6 - A fully costed option appraisal analysis should be undertaken prior to Carlisle City Council's decision to remain in the Shared Service to ensure financial implication are fully understood. The financial benefits such as the software upgrades and training discounts should be quantified as should the non-financial advantages and disadvantages.	M	Failure to achieve value for money	Analysis of Partnership costs to be produced to inform decisions on future service provision	Revenues & Benefits Operations Manager	31 st December 2019	30th August 2021	2	There has been a delay on progressing on the review of ICT Options due to additional team pressures and vacancies within ICT. Progress anticipated at start of 2021/22. Once an Options Appraisal is available, the team will consider overall implications for the Partnership, to determine the VFM of the arrangements.
B1901	Customer Services Performance Data (Reasonable)	Recommendation 3 - The Customer Services Manager should liaise with ICT Services to ensure that the telephony system needs are correctly assessed and that a suitable solution is procured.	M	Unable to accurately monitor and report the actual performance of the team.	Preliminary demos have taken place with all findings forwarded to IT Services / ICT Services to implement Civic wide telephony plan prior to the implementation of the new Customer Contact Centre system.	Customer Service Manager / ICT Services	Completed	31 December 2021	2	Completion delayed as replacement telephony system tied up with PCI-DSS compliance review (See Income Management recommendations below). Business Case for system prepared by Customer Services to ensure system meets their requirements.
D1905	Tourist Information Services (Reasonable)	Recommendation 12 - An agreement / contract should be implemented between the Council and Booking.com and signed by both parties.	M	There is a risk of reputational damage to the Council if an agreement / contract is not in place.	The Destination Manager will contact Booking.com to establish if this is possible.	Destination Manager	31 January 2020	31 January 2021	1	Agreement now confirmed as in place - closed.
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 April 2020	31 May 2021	1	Current service provision being reviewed with Legal for further advice regarding contract.

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 5 - The Outstanding debts should be resolved, and a revised service level agreement should be presented to M&S including relevant fees.	H	There is a risk of loss of income and reputational damage to the Council if agreements are not up to date.	Will liaise with Legal Services and Finance to draw up new SLA and outstanding debt.	Team Manager (Parking & Enforcement)	31 March 2020	31 May 2021	1	Letter and details of new offer of provision of service has been sent, only small outstanding debt to be recovered following offset of payments.
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 March 2020	31 May 2021	1	Mechanisms put in place including application form for any requested activity on our car parks. Guidance currently being sought from Legal on the notification procedure.
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 9 - Management should review the current safe-key holding arrangements and ensure a suitable process is in place to ensure income is fully covered by the Council's insurance.	M	Safeguarding of assets is not effective because of inadequate safeguarding arrangements.	Clarification being sought from insurance.	Team Manager (Parking & Enforcement)	12 February 2020	31 May 2021	1	Insurers provided written confirmation that they are satisfied with alternative arrangements - closed.
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 12 - Car Park inspections should be undertaken within the required frequency.	M	Failure to regularly undertake car park inspections may increase the risk of officers and members of the public being put at risk, for example slips, trips and falls.	Programme of inspections have started in January 2020 and will be completed by the end of February 2020	Team Manager (Parking & Enforcement)	29 February 2020		1	Inspection schedule now in place with defects appropriately documente for monitoring purposes.
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 13 - The Council should obtain assurances that the Sands Centre monitors both current and future car parking arrangements.	M	Insufficient assurances over contract delivery may lead to loss of income and reputational damage to the Council.	Further discussions to held with GLL. CEOs will carry out routine checks to ensure virtual permits issued correctly.	Team Manager (Parking & Enforcement)	19 February 2020		1	No activity due to the redevelopment of The Sands and activities being moved to another location. Given the long term nature of these arrangements and relatively low risk involved this recommendation is closed.
G1902	Treasury Management (Substantial)	Recommendation 1 - Risks should be reviewed by another officer in the absence of the risk owner, in line with the Corporate Risk Management Policy.	M	If risks are not regularly monitored there is a risk that Council priorities are not achieved / supported.	Risk Register contact details to be updated to include a Deputy should the Risk Owner be absent for any reason. Risk Management Assurance Framework to be updated to ensure deputy risk owners are nominated.	Principal Accountant/ Office Manager & PA to Chief Executive	01 July 2020	30 April 2021	1	To be picked up as part or proposed refresh of Risk Management Assurance Framework.
G1902	Treasury Management (Substantial)	Recommendation 2 - Access to the Accountancy Drive and the folders within this including treasury management should be reviewed and restricted to officers who only need access.	M	There is a risk to the safeguarding of information if data was accidentally changed or deleted by unauthorised individuals.	Password protection to be added to the master cash flow spreadsheet and the password shared with relevant officers. Restrictions were previously in place to limit access for certain individuals to specific folders only. Unsure when or why these have been removed. A review of access to the Accountancy drive to be undertaken with IT and access restricted again where required. Roll out to Office 365 would resolve this going forward.	Technical Finance Officer / Principal Accountant	May 2020 / October 2020	30 April 2021	1	Password protection implemented - review of directory access to be undertaken.
G1903	NNDR (Substantial)	Recommendation 1 – Job descriptions should be updated to reflect the current roles and reporting lines	M	Employees are not aware of correct reporting lines and roles.	Job Descriptions to be reviewed and amended as required	Revenues and Benefits Operations Manager	30th June 2020	30 September 2021	1	Team have been focused on grants and other additional workload due to the pandemic. Extension required.
G1903	NNDR (Substantial)	Recommendation 2 – 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	Training needs and service improvements not clearly identified.	Appraisals to be held for Team Leaders / Team Appraisal to be determined for completion	Revenues and Benefits Operations Manager	30th June 2020	30 September 2021	1	Team have been focused on grants and other additional workload due to the pandemic. Extension required.
G1903	NNDR (Substantial)	Recommendation 3 – Action should be taken to ensure electronic records containing sensitive personal information can be deleted within acceptable timeframes	M	Non-compliance with GDPR legislation. Failure to control records.	Subject to suitable software upgrades providing functionality, retention schedule to be reviewed to reflect record deletion timescales	Revenues and Benefits Operations Manager	31st December 2020	30 September 2021	1	Team have been focused on grants and other additional workload due to the pandemic. Extension required.
A1902	Absence Management (Partial)	Recommendation 3 – the policy should be revised to ensure it can deliver a consistent and fair approach, including incorporation of actions to address the issues identified within this audit.	H	Inconsistent approach results in failure to manage absences and also potential disciplinary action and employment tribunals.	Task and finish group has been established made up of members and HR to review. First virtual meeting scheduled w/c 15 th June 2020	HR Manager	31 st December 2020			Draft policy prepared - awaiting approval before implementation of recommendations.

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
A1902	Absence Management (Partial)	Recommendation 7 – Template forms should be revised and consideration should be given to developing a more intuitive electronic process.	H	Forms do not provide relevant information of inform appropriate corrective action, resulting in increased absence. Potential issues in the result of disciplinary action. Forms not completed correctly resulting in accurate information.	As Recommendation 3 review of Policy will ensure new and easier forms & recoding methods. Every attempt will be made to utilise our current systems and/or electronic reporting.	HR Manager	31 st December 2020			Draft policy prepared - awaiting approval before implementation of recommendations.
A1902	Absence Management (Partial)	Recommendation 8 – Monitoring, training and support should be provided to managers to ensure a consistent approach is taken towards managing individuals who have hit key trigger points.	H	Inconsistent approach creating difficulties in the event of disciplinary action. Ineffective/excessive action taken, both of which could contribute to increased absence.	As Recommendation 4 review of Policy will ensure new and easier triggers and policy should limit any ambiguity.	HR Manager	31 st March 2021			Draft policy prepared - awaiting approval before implementation of recommendations.
A1902	Absence Management (Partial)	Recommendation 11 – A process for ensuring absence information is retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired.	H	Increased risk of data breaches, resulting in non-compliance of data protection legislation. Wasted resource used to store duplicate records.	HR and Payroll are moving to electronic only records. All referrals and absence related data should only be kept by HR and Payroll and revised policy will include sections on data retention.	HR Manager	31 st December 2020 (could be earlier as not dependent on Policy review)			Draft policy prepared - awaiting approval before implementation of recommendations.
M2002	Partnership VFM (Reasonable)	Recommendation 1 - Work to complete the Partnership's plan/strategy, specifying shared objectives and priorities should be finalised.	High	Failure to achieve objectives due to lack of strategy in place to ensure progress is made to achieve priorities.	A "State of the Place" session was held with partners in October 20. It was felt given the nature of the situation a short term plan (6-12 months), should be developed (recognised by partners and the DCE). This would then allow for recovery to be considered as we come out of the pandemic.	Partnership Manager	31-Mar-21			Update from Partnership Manager indicated progress in place regarding preparation of strategy.
G2004	Income (Reasonable)	Recommendation 3 – PCI-DSS non-compliance should be subject to formal risk assessment activity to identify and facilitate implementation of required controls, action planning and sources of assurance (both short and long-term).	High	Failure to comply with Payment Card Industry (PCI) Security Standards leading to loss or compromised data and resulting in fines or sanctions.	A risk assessment be completed for PCI-DSS non-compliance and added to the Corporate Risk Register	Financial Services Manager	31-Dec-21			Meeting held between ICT and Finance - draft solution identified and demonstration held. Work ongoing to verify feasibility of the solution.

Recommendation evidenced as actioned (Closed)
Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
Recommendation reviewed and not confirmed as actioned (no response/revised timescales have passed)
High grade rec not implemented as timescales not reached - monitor progress quarterly.

Report to Audit Committee

Agenda
Item:

A.7

Meeting Date: 15 March 2021
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework YES
Public / Private Public

Title: INTERNAL AUDIT REPORT SAFE RECRUITMENT
Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number: RD68/20

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress and considers the review of Safe Recruitment

Recommendations:

The Committee is requested to

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

Tracking

Audit Committee:	15 March 2021
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 An audit of Safe Recruitment was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2020/21. The report, appended as Appendix A of this report was found to provide reasonable assurances and contains 11 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

The Committee is asked to

- i) receive the final audit report as 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 Officer:

Michael Roper

Ext: 7280

Appendixes

**APPENDIX A - INTERNAL AUDIT
REPORT SAFE RECRUITMENT**

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

- None

CORPORATE IMPLICATIONS/RISKS:

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.

Finance – Contained within the report

Equality – None

Information Governance – None

Audit of Safe Recruitment

Draft Report Issued: 19 October 2020
Director Draft Issued: 10 February 2021
Final Report Issued: 17 February 2021



Audit Report Distribution

Client Lead:	HR & Payroll Manager
Chief Employee:	Deputy Chief Executive Chief Executive
Others:	Payroll & iTrent Supervisor Payroll Adviser HR Assistant Workforce Development Manager Safety, Health & Environmental Manager Information Governance Manager Hr Advisor (x2)
Audit Committee:	The Audit Committee, which is due to be held on 15 March 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 Safe Recruitment. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30th July 2020.
- 1.2 The audit focused on controls in place to ensure appropriate medical assessments have been carried out for new starters. The audit also ensured controls were in place to identify emerging medical conditions and ensure appropriate emergency contact details are recorded and are accessible if required. These controls ensure the safety and well-being of all Council employees, enabling them to deliver services safely and effectively.

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 HR 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 scope areas:
 - Council unaware of pre-existing medical conditions for new employees (including agency staff) that may impact on an individual's ability to deliver their role, as well as increasing the risk of a harmful incident as a result of an unknown pre-existing medical condition.
 - Council fails to identify emerging medical conditions of employees during their employment with the Council, resulting in the same issues as above.
 - Council does not have adequate contact details for employees in the event of an emergency.
 - Sensitive personal information is not securely retained, resulting in loss or theft of information and potential fines.
- 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 Employees 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 Safe Recruitment 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)	-	1
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	7
3. Information - reliability and integrity of financial and operational information (see section 5.3)		3
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (N/A)	-	-
Total Number of Recommendations	-	11

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.
- 4.3 It should be noted that the action plan has been agreed by the Deputy Chief Executive as the HR & Payroll Manager post was vacated during the audit. The action plan will be reviewed following appointment of a new head of service.

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

The Council has a process for carrying out medical examinations for all new starters; however, the approach taken by the Council has been inconsistent and a number of improvements are required following the appointment of a new Occupational Health provider.

The agreed process needs to be documented and there is a need to ensure that all directly recruited employees receive a suitable check, as well as obtaining assurances that indirectly recruited employees (agency) and volunteers can safely carry out their role. The process could be improved by ensuring medical questionnaires identify all potentially relevant issues and that employees receive the right category of check in relation to their role. Line managers should contribute towards completing the element of the questionnaires relating to risk exposure within the role.

New starters should be given an additional opportunity to declare potential medical issues as part of the induction process and assurances should be sought that line managers carry out the relevant checks and training in relation to health and safety as part of the induction process.

A data protection impact assessment should be carried out to ensure the proposed changes to this process continue to comply with data protection legislation.

The Council has suitable facilities to provide support for employees with emerging medical conditions but needs to ensure employees clearly understand their responsibility to declare conditions as they arise where relevant.

A process is in place for the collation of emergency contact details; however, work is required to ensure complete and up to date details are on file for all employees, including casual, agency and volunteers. A protocol also needs developing in relating to accessing emergency contact details for Members should there be a need to do so.

Comment from the Deputy Chief Executive

The 11 recommendations contained within this report are clear and helpful. The HR and Payroll team will address these within the agreed timescales and seek to improve our recruitment processes.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation’s strategic objectives

- 5.1.1** Procedures and template forms are in place for the appointment and induction of new starters. The administration of pre-employment medical examinations and collation of emergency contact information is not currently documented in these procedures.

Recommendation 1 – The process for administering pre-employment medical examinations and collation of emergency contact information should be documented.

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

- 5.2.1** Historically the Council performed (via an occupational health provider) pre-employment medical examinations for all contracted employees, although none were obtained for casual staff. In 2019/20 a decision was made to stop medical checks for desk-based employees, as it was felt these weren’t effective in capturing relevant information. Consideration was given to replacing these checks with medical questionnaires; however, no process was implemented to replace these checks.
- 5.2.2** Following the onset of the Covid-19 global pandemic a decision was made to re-introduce examinations for all employees (including casuals). Following a change in Occupational Health provider in April 2020 the Council has introduced two categories of checks, depending on whether a candidate is entering a desk-based or physical role. Candidates are provided with a questionnaire and receive a follow-up appointment based on their responses. The Occupation Health provider will then inform the Council as to whether the candidate is medically fit to carry out the role and makes recommendations to mitigate any risk areas if considered appropriate.
- 5.2.3** The process for choosing the category of check is currently discretionary. The City Council has several roles which include a combination of desk and site-based work. Without suitable definitions in place there is a risk the Council takes an inconsistent approach and candidates do not receive a style of check suitable to their role.

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.

- 5.2.4** The questionnaires do not specifically ask about minor medical conditions that may not impact an individual's ability to work, but could require special arrangements to be put in place (such as allergies). However, assurances have been provided by the Occupational Health provider that these would be identified within the questions asked. Providing employees also have an opportunity to declare conditions as part of their induction (see recommendation 7) then this risk should be adequately controlled. However, it is advised further assurances are obtained to identify potential musco-skeletal issues are also identified for desk-based employees as part of the process.
- 5.2.5** The questionnaires currently include a section asking candidates to specify certain risk factors they may be exposed to as part of their role, such as lone working, working at height and biological hazards. The candidate may not fully understand the level of exposure faced in the role and the employing manager would be able to provide more accurate information in relation to this section.

Recommendation 3 – Employing managers should provide the information in the pre-employment medical questionnaire relating to risk exposures relevant to the role.

- 5.2.6** A sample review of new starters confirmed medical examinations are being delivered in line with the Council's agreed approach, including a number of employees who were converted from casual to contracted staff as part of a recent exercise by HR to reduce the number of casual employees. Testing also indicated line managers had implemented suitable mitigating controls where recommended by the Occupational Health provider.
- 5.2.7** Casual employees did not previously receive medical examinations. There is also no central process to ensure checks are carried out in relation to agency staff or volunteers. The audit identified examples of localised checks being put in place, particularly when found to be high risk (for example agency drivers are subject to license checks before they are allowed to drive Council vehicles and the Green Spaces team obtains medical information from volunteers before they carry out work in the Council's parks and green spaces). However, further audit testing identified an inconsistent approach and generally a lack of formal collation of such information - without a central check and with limited guidance in place there are no assurances that all individuals performing work on behalf of the Council have had a suitable level of checks.
- 5.2.8** A 2018 audit of Casual, Agency and Temporary staff recommended that ***"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."*** Implementation of this recommendation is still outstanding, although a subgroup has been established to review this.

5.2.9 The Council has a dedicated intranet page in relation to volunteers, which states that the first point of contact is with HR, who will carry out necessary checks. However, this is not currently the case and volunteers are recruited directly by departments. The Council is able to record volunteer details within iTrent, but there are currently only two volunteers listed (the audit confirmed the Council has more volunteers).

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.

Recommendation 5 – An exercise should be undertaken to identify and record all existing volunteers within iTrent.

5.2.10 Line managers are provided with induction check-lists, including one relating to Health and Safety, as part of the corporate induction process for all new starters. However, no control is in place to ensure these forms are completed and are usually not provided to HR to store on an employee's personnel folder.

Recommendation 6 – A process is required to ensure health and safety induction forms are completed by line managers and retained on file.

5.2.11 While it is more important to capture medical conditions during the earlier stage of the appointment process wherever possible, in order to allow opportunity to implement suitable mitigating actions, it would also be beneficial to give new starters the opportunity to declare any relevant conditions (including allergies) as part of the induction process.

Recommendation 7 - New starters should be given the opportunity to declare any special requirements required in relation to medical conditions as part of the new starter/induction process.

5.2.12 All employees are registered to attend face-to-face health and safety induction courses and desk-based staff are also required to complete online health and safety training using the Council's e-learning system. Registration is automatic, though there has been some delays in attending the face-to-face training due to the Covid-19 pandemic.

5.2.13 While the Council has various policies (Health and Safety / Codes of Conduct) that place emphasis on employee's responsibility for their own health and safety, there is currently no emphasis for employees to declare relevant emerging medical conditions that may impact their ability to perform their role. It is recognised that individuals are not obliged to declare protected personal sensitive information such as medical information; however, the Council should offer opportunities for employees to do so in order to minimise health and safety risks. The Council should also provide assurances that such information is handled discreetly and confidentially, with only relevant employees accessing the information.

5.2.14 Some mitigation is in place for higher risk areas (for example, drivers are legally obliged to report emerging conditions to the DVLA, which would then be identified by regular license checks performed by the Council's Fleet office).

Recommendation 8 – Council policies should be updated to encourage employees to inform the Council of any relevant emerging medical condition that impact on their ability to perform their role. Assurances should be provided to employees that information will be handled confidentially.

5.2.15 Where emerging medical conditions are identified through declaration the Council can refer employees to the Occupational Health provider, who will assess the individual and make recommendations on mitigating actions needed to be taken by the Council.

5.3 Information – reliability and integrity of financial and operational informatio

5.3.1 Sensitive personal information retained in relation to safe recruitment such as medical questionnaires and personal contact details falls under the same category of information reviewed in the 2019 audit of Absence Management. Implementation of a number of recommendations made in that review will ensure this information is appropriately and securely retained by the Council.

5.3.2 However, given the changes already in place to the pre-employment medical checks, coupled with the further proposed changes suggested in this audit, the Council's Information Manager advised that given the sensitivity of the information being processed that a Data Protection Impact Assessment should be considered.

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.

- 5.3.3** The Council records emergency contact details within iTrent, the Council's payroll and personnel application. A process is in place through completion of forms for new starters to collect this information for contracted staff and Members.
- 5.3.4** A review of information held in iTrent found no emergency contact details were recorded for 64/493 (13%) contracted employees.
- 5.3.5** A number of records have not been updated in several years; however, sample checks indicated information was still up to date (i.e. that long-serving employees generally have the same emergency contact details). As a result of the Covid-19 pandemic employees were recently asked to check contact details – it is advised that regular reminders are issued to help ensure information is kept up to date.
- 5.3.6** It was found that emergency contact details retained for Members are generally out of date, as information provided on the most recent forms (which are completed after every election) had not been uploaded into iTrent.

Recommendation 10 – An exercise should be taken to ensure emergency contact information is retained in iTrent for all employees and members.

- 5.3.7** Emergency contact details are not currently requested for casual employees. While casual employees are provided access to iTrent and have the facility to add emergency contact details themselves, a review of records confirmed no information has been recorded for any casual employee. Emergency contact details should also be collated for agency and volunteers (**see recommendation 5**)

Recommendation 11 – the form for recruiting casual employees should be amended to request emergency contact details.

- 5.3.8** All managers have access in iTrent to the emergency contact records for those staff they are responsible for. However, as they do not have line managers, there is currently no access to Members' emergency contact details (beyond HR who have full access to all records). Democratic Services retain a paper copy of the forms, so hold emergency contact details. There is no protocol in place to access Member's contact details should access be required in an emergency. It is advised a protocol should be put into place to ensure members' emergency contact details can be accessed in an emergency.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – The process for administering pre-employment medical examinations and collation of emergency contact information should be documented.	M	Inconsistent approach / lack of clarity on appropriate process.	Procedures to be updated to include pre-employment and emergency contact processes.	HR Advisers	30 April 2021
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 April 2021
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 April 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
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.	<p>As of September 2020, casual staff now have a pre-employment medical assessment.</p> <p>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).</p> <p>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.</p>	HR Team	31 July 2021
Recommendation 5 – An exercise should be undertaken to identify and record all existing volunteers within iTrent.	M	Fail to identify medical information or emergency contact details for individuals delivering services on behalf of the Council.	Initial collation exercise to be undertaken to identify and record all volunteers in iTrent. Detailed review of volunteer process due to be undertaken later in the year.	HR Adviser	30 April 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
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 June 2021
Recommendation 7 - New starters should be given the opportunity to declare any special requirements required in relation to medical conditions as part of the new starter/induction process.	M	Fail to identify/mitigate against any pre-existing medical conditions.	This should be covered in the pre-employment medical checks that all new starters are now going through. A note to remind new employees of the opportunity to raise any pre-existing medical conditions will also be added to the Manager's induction checklist.	HR team / OD team	30 April 2021
Recommendation 8 – Council policies should be updated to encourage employees to inform the Council of any relevant emerging medical condition that impact on their ability to perform their role. Assurances should be provided to employees that information will be handled confidentially.	M	Fail to identify/mitigate against any emerging medical conditions.	Wording included in the draft Improving Attendance Policy, Employee responsibility section, to request they inform their manager if they develop a medical condition that could potentially impact their ability to carry out their role, or one that may require additional support within the workplace. The policy is covered by a confidentiality clause. Policy to be approved by SMT.	HR Advisers	28 February 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
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 2021
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 i-Trent (which all staff can do via self-service).	HR Advisers & OD team	30 April 2021
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 March 2021

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).

Report to Audit Committee

Agenda
Item:

A.8

Meeting Date: 15 March 2021
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework YES
Public / Private Public

Title: INTERNAL AUDIT REPORT FINANCIAL SERVICES
GOVERNANCE ARRANGEMENTS

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number: RD69/20

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress and considers the review of Safe Recruitment

Recommendations:

The Committee is requested to

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

Tracking

Audit Committee:	15 March 2021
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 An audit of Financial Services Governance Arrangements was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2020/21. The report, appended as Appendix A of this report was found to provide substantial assurances and contains 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

The Committee is asked to

- i) receive the final audit report as 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 Officer:

Michael Roper

Ext: 7280

Appendixes

**APPENDIX A - INTERNAL AUDIT
FINANCIAL SERVICES
GOVERNANCE ARRANGEMENTS**

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

- None

CORPORATE IMPLICATIONS/RISKS:

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.

Finance – Contained within the report

Equality – None

Information Governance – None

Audit of Financial Services Governance Arrangements

Draft Report Issued: 18 January 2021
Director Draft Issued: 03 February 2021
Final Report Issued: 18 February 2021



Audit Report Distribution

Client Lead:	Financial Services Manager Principal Accountant
Chief Officer:	Corporate Director Finance & Resources Chief Executive
Others:	Information Governance Manager
Audit Committee:	The Audit Committee, which is due to be held on 15 March 2021 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 Financial Services Governance Arrangements. This was a Main Financial Systems internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30th July 2020.
- 1.2 The Internal Audit plan includes a three-yearly cycle of Main Financial Systems audit reviews, the majority of which are managed by the Council's Financial Services team.
- 1.3 Audit testing in relation to governance systems and records management are delivered routinely as part of all audit reviews. While certain testing relates to the specific area under review other elements focus on wider management arrangements.
- 1.4 Repeating this testing over various reviews in similar time periods was found to be repetitious, reducing the value added. It was agreed from 2020/21 that testing of higher-level governance and records management arrangements should be delivered as part of a separate review of the Financial Services team.

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 were the Financial Services Manager and Principal Accountant 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 scope areas:
 - 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.
- 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 Financial Services Governance arrangements provide **substantial 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 (N/A)	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.2)		2
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.

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

Financial Services has an established and embedded governance framework in place to oversee achievement of the service's objectives. While three recommendations have been made in the report these all relate to minor improvements to existing processes, supporting the substantial assurance conclusion.

An appropriate structure is in place for the team, supported by job descriptions and a series of team meetings, supervision, procedure notes and other communication to ensure staff are aware of their roles and responsibilities.

An established reporting framework is in place to ensure Senior Management and Members are kept aware of the Council's financial performance, which is supported by suitable, accurate and timely performance information.

A risk register is established, maintained in line with the Council's Risk Management Framework and there is evidence the register is developed, reviewed and updated on an ongoing basis. Improvements to the format and content of the register have been identified by assurance providers both internally and externally and there is a need to address these suggestions to enhance the risk management process.

The service has embedded relevant controls to maintain the security and confidentiality of the records it maintains in line with relevant legislation. However, there is a need to ensure all officers complete mandatory training in relation to data protection and cyber security.

Management have recognised the need to review the extent of records currently retained and work has begun to address this, although this is currently on hold as a result of the current pandemic. To ensure delivery of this exercise is completed in full there is a need to formalise an action plan assigning responsibility and timelines to finalise the review of all paper and electronic records maintained.

Comment from the Corporate Director Finance & Resources

A useful audit review which provides assurances on the control environment in place within Financial Services. The recommendations have been accepted and will be implemented within the agreed timescales which will further improve the existing good governance arrangement already embedded in the service.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A formal structure is in place for the Financial Services team, which supports the needs of the service. There are two vacant posts on the structure and plans are in place to review the whole structure and review what is needed to support future requirements and to support succession planning for the service. Management have plans in place to review roles and responsibilities within the team in order to enable improved cover in the event of any future long-term absences.
- 5.1.2** Job descriptions were generally up to date and included relevant roles and responsibilities. However, it was noted that some job titles did not fully reflect changes in line management responsibilities and others contained out of date job titles. It is advised that a review of all job descriptions takes place to ensure they are fully up to date.
- 5.1.3** To ensure job descriptions receive a regular review there is a need for the Council to include a review date on all job descriptions to ensure they receive a regular update. Internal Audit advise that job descriptions should be reviewed at least every five years.
- 5.1.4** A suite of procedures and policies are in place to support delivery of roles and responsibilities. Management are satisfied that procedures are appropriate, which is supported by the positive output of the team, including preparation of unqualified annual accounts.
- 5.1.5** The Council's S151 officer is the Corporate Director of Finance & Resources, who is responsible for the delivery of Financial Services objectives. There is clear evidence they are kept informed of all progress and are involved in the management and decision-making process.
- 5.1.6** A clear and detailed reporting framework is in place to ensure the Senior Management Team and the Executive receive regular reports of the team's objectives, particularly relating to the Council's financial performance and preparation of annual accounts.
- 5.1.7** Regular team meetings are established within the service to ensure staff are kept well informed and these have continued during the Covid-19 pandemic through the use of Microsoft Teams. This is supported by regular correspondence from management as and when issues or actions arise.
- 5.1.8** Representatives of Financial Services attend the Directorate's monthly management meetings. These were suspended at the start of the pandemic but have recently recommenced (following a restructure within the Directorate).

- 5.1.9** Representatives of Financial Services also attend other Directorate management team meetings to maintain awareness of financial issues across the full range of Council services.
- 5.1.10** Team meetings are not minuted; however, management follow up meetings with e-mails to all relevant officers listing any specific responsibilities and actions that need to be addressed.
- 5.1.11** Appraisals have not taken place during 2020/21 as a result of the pandemic. This has been acknowledged by management and plans are in place to ensure the appraisal process is re-established during 2021/22 in line with the revisions made to the appraisal process corporately.
- 5.1.12** The service usually creates an annual service plan, but like most Council services this was not prepared for 2020/21. However, the service's core objectives are generally static (preparation of the accounts and financial monitoring), so there is no significant risk exposure in this area. Again, the Service Planning process will follow the revised corporate approach.
- 5.1.13** A risk register is in place for the service, which has been prepared and reviewed in line with the Council's risk management framework. Evidence is in place that new risks are added to the register when identified, with five risks added during 2020. Mitigating actions appear to be suitable and evidence is available to demonstrate these are being actioned. Some minor improvements have been suggested to improve information included in the register for some risks
- 5.1.14** The risk register was presented to the Council's Operational Risk Management group in October 2020, where suggested improvements were made and have now been updated.
- 5.1.15** The risk register will need to be amended to address recommendations made during a recent review (currently draft) of Risk Management by Zurich Municipal, including ensuring risks are supported by appropriate assessments and a need to separate embedded controls and intended further actions.

Recommendation 1 – The risk register should be reviewed to include comments provided by Internal Audit and Zurich Municipal. (Medium)

- 5.1.16** The services main output relates to the financial monitoring of Council services and preparation of the annual accounts, which, as stated above are reported regularly and comprehensively to both Senior Management and the Board.

5.1.17 The service also has three performance indicators within the Council's Performance Management framework. All indicators were found to be accurately reported (supported by an appropriate audit trail), on target and reported on a timely basis.

5.1.18 The service is subject to appropriate financial monitoring, with regular minuted meetings with Senior Management. No concerns have been identified in relation to financial performance of the service.

5.2 Information – reliability and integrity of financial and operational information

5.2.1 There is a comprehensive privacy statement in place for the service specifying the information that it receives, creates and processes, including details of who data may be shared with. The statement has been reviewed by the Council's Information Governance Manager.

5.2.2 A review of mandatory training within the Council's e-learning module identified relatively low levels of completion within Financial Services, with 60% staff completing data protection training and only 18% completing the new mandatory training in relation to cyber-security released in October 2020. However, it is noted that 94% of staff have completed the previous mandatory training in relation to cyber-security.

Recommendation 2 – Management should ensure all staff complete mandatory training in relation to data protection and cyber security.

5.2.3 Both paper and electronic records are held securely, protected by fob access and password and network controls respectively. Lockable filing cabinets are available to further protect sensitive information. It is noted that further developments would add value in this area, including working towards a clear desk policy. This should be considered in the proposed action plan at Recommendation 3.

5.2.4 A retention and disposal schedule is maintained by the service, specifying appropriate retention periods for records maintained. As at February 2020 the service had undertaken a significant exercise to review and destroy paper records, which have been appropriately recorded on the disposal schedule. This exercise is currently on hold as officers are working from home during the pandemic.

5.2.5 Management have also recognised the requirement to review the extent of electronic records held by the service, though this exercise was put on hold pending instructions from IT on how this was to be dealt with corporately and a proposed migration of electronic data to cloud servers.

5.2.6 While it is not currently feasible to perform an enhanced review of records retained within the service, it should be recognised that this is a risk area that requires addressing. A more formalised plan of action would add value to the management of this risk

Recommendation 3 – Management should prepare an action plan assigning responsibility and timescales for a review of paper and electronic records held by the service.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – The risk register should be reviewed to include comments provided by the Operational Risk Management Sub-Group, Internal Audit and Zurich Municipal.	Medium	Risk management does not identify and adequately control risks to the achievement of service objectives.	The risk register will be updated with necessary amendments from the review undertaken by Internal Audit and Zurich Municipal	Financial Services Manager	30/09/21
Recommendation 2 – Management should ensure all staff complete mandatory training in relation to data protection and cyber security.	Medium	Staff unaware of the roles and obligations in relation to information and cyber security.	A reminder and instructions have been given to all members of staff in the team to ensure they complete all mandatory training sessions	Financial Services Manager	30/06/21
Recommendation 3 – Management should prepare an action plan assigning responsibility and timescales for a review of paper and electronic records held by the service.	Medium	Retention of unrequired records, resulting in potential breaches of data protection legislation, increased risk of unauthorised access to Council data and inefficient storage of archived records.	A plan will be drawn together on how best the services electronic records can be reviewed to ensure they are held appropriately. This will take a significant amount of time due to the number of records held and the number of network drives the service uses. This will also need assistance from IT	Financial Services Manager	31/03/22

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).

Report to Audit Committee

Agenda
Item:

A.9

Meeting Date: 15 March 2021
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: THE REDMOND REVIEW
Report of: Corporate Director of Finance and Resources.
Report Number: RD63/20

Purpose / Summary:

This report provides the Audit Committee with an update on the outcomes of the Redmond Review on Local Audit and the Transparency of Local Authority Financial Reporting. The report also addresses the response of the MHCLG to the review and what the next steps will be and how the review and recommendations made will impact on the Council.

Recommendations:

The Audit Committee is asked:

- (i) to note the outcome of the Redmond Review and the responses of MHCLG, and
- (ii) to note the Council's response to the consultation on amendments to the Accounts and Audit Regulations 2015 shown at Appendix B.

Tracking

Audit Committee	15th March 2021
Overview and Scrutiny:	Not applicable
Council:	Not applicable

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. BACKGROUND

- 1.1 In 2019, Sir Tony Redmond was asked by the Secretary of State for Housing, Communities and Local Government to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting.
- 1.2 The review examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority's annual accounts enables the public to understand the financial information and receive appropriate assurance that the finances of the authority are sound.

2. THE REVIEW OUTCOMES

- 2.1 The final review was published on 8 September 2020 and included 23 recommendations that related to:
 - External Audit Regulation
 - Smaller Authorities Audit Regulation
 - Financial Resilience of local authorities
 - Transparency of Financial Reporting
- 2.2 The review offered the opportunity for affected stakeholders to express their views and in total 156 responses were made.
- 2.3 The review raised serious concerns about the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms; however it was not suggested that the audits were carried out unprofessionally, more a concern about the balance of price and quality. This was also supported by the views made that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way; therefore, an increase in fees should be considered.
- 2.4 Since the externalisation of the Audit Commission, audit fees have seen a significant reduction (the review refers to a 42.25% decrease in cash terms since 2015). For the Council, the statutory audit fees have been as follows:

Audit Year	External Auditor	Audit Fee
2010/11	Audit Commission	£122,074
2015/16	Grant Thornton	£53,766
2016/17	Grant Thornton	£53,339
2017/18	Grant Thornton	£45,419
2018/19	Grant Thornton	£41,034

- 2.5 The Redmond Review concludes that evidence suggests fees are at least 25% lower than is required for firms to adequately resource local audit requirements.
- 2.6 The review highlighted that 40% of audits did not meet the required statutory deadline (31 July) in 2018/19 and that this signals a serious weakness in the ability of auditors to comply with their contractual obligations. Responses to the review were heavily in favour of a revised date of 30 September and although this has been accepted by MHCLG for the next two years (subject to consultation – See Appendix B), further considerations will be needed to address the underlying issues.
- 2.7 The review identified that an underlying feature of the existing framework was the absence of a body to coordinate all stages of the audit process. Therefore, a key recommendation made was to see the creation of a new regulatory body that would have responsibility for procurement, contract management, regulation and oversight of local audit. However, the MHCLG, in their response, are not persuaded that a new arms-length body is required and believes that this would mark a significant departure from the 2014 Act. They do, however, remain committed to a locally-led audit regime which enables genuine local accountability by residents and taxpayers. They have stated they “do not wish to recreate the costly, bureaucratic and over-centralised Audit Commission” and will therefore consider alternative options.
- 2.8 There was found to be merit in examining the composition of Audit Committees to ensure that the required knowledge and expertise are always present when considering reports. The review also recommends that the annual audit report be submitted to Full Council irrespective of where the accounts are authorised.
- 2.9 The review also identified that there was a lack of transparency and understanding of the current statutory accounts prepared by local authorities, indeed they were deemed to be ‘impenetrable’ to the public. There was therefore a recommendation

that a simplified 'Statement of Service Information and Costs' be prepared that will allow easy comparison with the annual budget and council tax set for the year. This new statement would be in addition to the statutory accounts which could also be simplified. This move to prepare a simplified 1-2-page standard statement of service is accepted by MHCLG with a view to rolling statements out for the 2021/22 accounts. CIPFA will also consider the scope for simplifying the accounts by removing disclosures in a phased approach from 2022/23 accounts.

- 2.10 The review report acknowledges that implementation of the recommendations would, in part, require regulatory or legislative change.
- 2.11 Details of the recommendations that have a direct impact on the Council are set out below. A full list of recommendations from the Redmond Review including those that do not impact directly are outlined at **Appendix A**. The responses from the MHCLG are also included alongside each recommendation.

3 RECOMMENDATIONS IMPACTING THE COUNCIL DIRECTLY

- 3.1 The following recommendations of the Redmond Review will directly impact the Council:

3.1.1 Recommendation 4 and 12

(4) The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- *an annual report being submitted to Full Council by the external auditor;*
- *consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and*
- *formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.*

(12) The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified.

At present the Annual Audit Findings Report is considered by the Audit Committee who have the approval to sign off the Statement of Accounts. With the implementation of this recommendation, the report could still be considered by the Audit Committee in signing off the accounts but there would need to be a recommendation to Full Council for consideration of the contents of the Audit

Findings Report If the deadline for completion of the audit moves to 30 September, this would have to happen at the Council meeting in November.

The appointment of an independent non-elected member of the Audit Committee is already included in the CIPFA publication “Audit Committees – practical guide for local authorities and police 2018”. The Redmond Review refers to an independent non-elected member that is ‘suitably qualified’ but does not define the criteria to be used. The review also recognises that in some geographical areas attracting independent, non-elected members with relevant technical knowledge may be a challenge.

MHCLG Response

The department strongly agrees with an annual audit report being presented to a Full Council Meeting, irrespective of whether the accounts have been certified. They also fully agree with the other strands of recommendation 4 and will work to ensure that, where appropriate, new guidance is issued which addresses the recommendations relating to meetings between chief officers and the external auditor and the appointment of an independent member(s) to audit committees.

3.1.2 Recommendation 6

The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.

As has previously been mentioned in paragraph 2.4, there has been a significant reduction in the level of audit fee the Council has paid over the past ten-years. The review has highlighted the need for a potential 25% increase in scale fees in order to provider auditors with an adequately resourced and skilled team with which to deliver a robust audit process. For 2019/20, the Council has already been advised that there will be an additional fee for the extra work needed to be carried out.

MHCLG Response

MHCLG, in their response will, subject to consultation, review and reform regulations to provide the appointing person with greater flexibility to ensure the costs to audit firms of additional work are met. They have further acknowledged that fees will need to increase and, recognising that this will place greater pressure on local authorities budgets, will provide local authorities with £15m additional funding in 2021/22 to support them in meeting the anticipated increase in fees and to meet the new burdens on councils as a result of the new reporting requirements.

They will consult in the new year on how best to amend existing regulations with a view to having revised regulations in place before the 2021 summer recess.

3.1.3 Recommendation 9

External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.

Although there are no formal meetings between Internal and External audit, the external auditor receives sight of the work and plan of internal audit through the Audit Committee papers.

MHCLG Response

The department agrees that the sharing of information with external auditors should be strengthened where possible, within existing frameworks, between external and internal audit.

3.1.4 Recommendation 10

The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.

This recommendation will see the time period for completing and publishing the accounts pushed back to the end of September and will extend the period of audit to 4-months. There is nothing in the review that would propose to move the publication of the draft accounts back from 31 May, however, the recent MHCLG consultation on amending the Accounts and Audit Regulations (2015) does include proposals to ensure that the accounts are published no later than 31 July.

Although not referred to specifically in recommendation 10, in the report and presentations around this, two issues were raised in terms of:

- **New s151 officers** – this was focused around induction and training for new s151 officers, particularly around the accounts. The Council's s151 Officer is experienced and is well versed in the production of the accounts
- **Technical expertise to produce the accounts** – this was focused around appropriate accounting staff with the technical expertise to produce the accounts without significant guidance and support from external audit.

MHCLG Response

The department agrees with this recommendation. However, the department also note that there is a balance to be struck with ensuring that potential accounting risks can be surfaced and shared promptly so that appropriate and timely mitigating action can be undertaken. Therefore, subject to a consultation process, the department intends to amend regulations to extend the deadline for publishing audited local authority accounts to 30 September for a period of two years. At the end of this period a review will be undertaken to determine whether there is a continued need to have an extended deadline.

MHCLG issued their consultation on 9 February asking for comments to three questions around amending the dates for the 2020/21 accounts process. The Council responded to the consultation on 1 March and the response is shown at **Appendix B**.

3.1.5 Recommendation 17

MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.

The new NAO Code of Audit Practice for England for 2020/21 onwards has set out three reporting criteria for the Value For Money Conclusion:

- Financial Sustainability
- Governance
- Improving economy, efficiency and effectiveness

The new code requires a narrative VFM opinion rather than a single qualified or unqualified statement.

MHCLG Response

The department will consider what reporting they would expect to receive and how that could inform and strengthen their framework for seeking assurance that financial sustainability in each local authority in England is maintained. They particularly note the potential value in the regular production of analysis highlighting trends in local audit findings across England.

3.1.6 Recommendation 19, 20 and 21

(19) A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.

(20) The standardised statement should be subject to external audit.

(21) The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.

The implementation of a standardised statement of service and costs will assist the service users and taxpayers in linking the budget and council tax to how the council has performed financially for the year. This statement would be included in a set of Summary Accounts. The full Statement of Accounts are cumbersome and follow statutory requirements and unless technically versed in Local Government Finance are difficult to follow and understand. Therefore, a summary statement of service and costs will allow interested parties to easily see the financial performance of the Council.

It is proposed that this standard statement be produced and audited from 2021/22.

MHCLG Response

The department agrees with the recommendations that all local authorities be required to prepare an audited standardised statement of service information and costs. These should be short and accessible, for example one or two pages. Standardised statements should be communicated to all taxpayers and service users, and they will explore how this can be done, for example, alongside or with council tax bills from 2022. The department will work closely with CIPFA as they lead in the development and consultation with local government to produce a product, with a view to rolling statements out in 2021/22. Changes to regulations to mandate the inclusion of the statement alongside the accounts will also be considered. As mentioned at paragraph 3.1.2 funding will be provided to enable local authorities to prepare the standardised statements. And finally, the department agrees that this is an opportunity to consider whether there is scope to simplify the presentation of the accounts by removing disclosures that may no longer be necessary – possibly through the 2022/23 Accounting Code of Practice.

4. CONSULTATION

None

5. CONCLUSION AND RECOMMENDATION

- 5.1 The Audit Committee is asked to note the outcome of the Redmond Review and the response of MHCLG.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 Sound financial management is a core underpinning of all the priorities of the Council.

Contact Officer: Steven Tickner

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Appendices
Appendix A – Redmond Review Recommendations & MHCLG Response
Appendix B – Council Response to Consultation to amend Accounts and Audit Regulations 2015

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 –

Finance – Contained within the report

Equality – None

Information Governance – There are no information governance implications with this report

Property Services - None

APPENDIX A – REDMOND REVIEW RECOMMENDATIONS & MHCLG RESPONSE

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
External Audit Regulation			
1	<p>A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:</p> <ul style="list-style-type: none"> • procurement of local audit contracts; • producing annual reports summarising the state of local audit; • management of local audit contracts; • monitoring and review of local audit performance; • determining the code of local audit practice; and • regulating the local audit sector. <p>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</p>	No	<p>This will not have any direct impact on the Council as it is mainly related to regulating and overseeing local audit.</p> <p>The only implication for the Council would be around how its external auditor is procured. Although the Council can procure its own external auditor, like 98% of local authorities the Council chose to have PSAA Limited as the body who appointed its auditors.</p>
2	<p>The current roles and responsibilities relating to local audit discharged by the:</p> <ul style="list-style-type: none"> • Public Sector Audit Appointments (PSAA); • Institute of Chartered Accountants in England and Wales (ICAEW); • FRC/ARGA; and 	No	As above.

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
	<ul style="list-style-type: none"> The Comptroller and Auditor General (C&AG) to be transferred to the OLAR. <p>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</p>		
3	<p>A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.</p> <p>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</p>	No	No direct impact on the Council although the output will be useful intelligence of whether local audit market and audit quality is improving.
4	<p>The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> an annual report being submitted to Full Council by the external auditor; consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually. <p>MHCLG response: Agree, we will work with the LGA, NAO</p>	Yes	<p>The Council's current arrangements are:</p> <ul style="list-style-type: none"> The Annual Audit Letter (public facing summary of audit work and findings that year) is currently only presented to the Audit Committee. There are no independent, non-elected members, on the Audit Committee. The external auditor's (Grant Thornton) currently meet the Chief Executive and Corporate Director of Finance and Resources separately.

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
	and CIPFA to deliver this recommendation		
5	<p>All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.</p> <p>MHCLG response: Agree, we will work with key stakeholders to deliver this recommendation</p>	No	This is a matter for the external audit firms to address in terms of training and experience, but likely to be part of the justification for increased audit fees.
6	<p>The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.</p> <p>MHCLG response: Agree, we will look to revise regulations to enable PSAA to set fee that better reflect the cost to audit firms of undertaking additional work</p>	Yes	This will have a financial impact on the Council and although this recommendation does not give a percentage increase the report says audit fees are at least 25% lower than required to fulfil current local audit requirements effectively.
7	<p>That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.</p> <p>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</p>	No	This relates to OLAR (proposed new body) and the individual audit firms.

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
8	<p>Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.</p> <p>MHCLG response: Part agree, we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required</p>	No	This will relate to the current audit firms and those trying to enter the local audit work market.
9	<p>External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.</p> <p>MHCLG response: Agree, we will work with the NAO and CIPFA to deliver this recommendation</p>	Yes	Currently meetings, and exchange of information, between Internal Audit and external audit are ad-hoc and relate to specific issues as they arise.
10	<p>The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.</p> <p>MHCLG response: Part agree, we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review</p>	Yes	This will impact on the Council in terms of the date for publishing its audited accounts. It will also mean that the Audit Committee meeting at the end of July could be removed.
11	<p>The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both</p>	No	This relates to the external audit accounts deadline and will be linked to recommendation 10. It should be noted that the NHS accounts are produced to a much

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
	Local Government and Health final accounts work. MHCLG response: Agree		tighter timescale, and already audited before local authority accounts.
12	The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report. MHCLG response: Agree, we will work with the LGA, NAO and CIPFA and other key stakeholders to deliver this recommendation, including whether changes to statute are required	Yes	As outlined in the response to recommendation 4 the Annual Audit Letter (public facing summary of audit work and findings that year) is presented to the Audit Committee. The Annual Audit Report would likely go to the November meeting as this is the first full Council meeting after the 30 September audited accounts publication deadline.
13	The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters. MHCLG response: We are considering these recommendations further and will make a full response by spring 2021	No	This relates to an action for OLAR (proposed new body).

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
Smaller Authorities Audit Regulation			
14	SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations. MHCLG response: Agree, we will look to SAAA to deliver this recommendation	No	Not applicable.
15	SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m. MHCLG response: We are considering this recommendation further and will make a full response by spring 2021	No	Not applicable.
16	SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils. MHCLG response: Agree, we will look to SAAA to deliver this recommendation	No	Not applicable.

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
Financial Resilience of local authorities			
17	<p>MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.</p> <p>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</p>	Yes	<p>This is an action for MHCLG. However, the new NAO Code of Audit Practice for England for 2020/21 onwards has three reporting criteria for the value for money conclusion, Financial sustainability, Governance and Improving economy, efficiency and effectiveness. This will increase the focus on all three areas and likely to have a significant impact on the evidence required by the external auditor and the impact on officer time.</p>
18	<p>Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.</p> <p>MHCLG response: Agree, we will work with other departments and the NAO to deliver this recommendation</p>	No	<p>This is very similar to the 'Roundtable' meetings introduced by the Audit Commission, some 15+ years ago, where the external auditor and inspectors met to share information and views on a council.</p>

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
Transparency of Financial Reporting			
19	<p>A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax / precept / levy and presented alongside the statutory accounts.</p> <p>MHCLG response: Agree, we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation</p>	Yes	This will require summary accounts to be produced by the Council. The examples given in the Redmond Review report suggest that summary accounts would be 10+ pages long.
20	<p>The standardised statement should be subject to external audit.</p> <p>MHCLG response: Agree, we will work with CIPFA, the LGA and the NAO to deliver this recommendation</p>	Yes	This will require additional external audit work potentially an increase in the external audit fee to be paid by the Council.
21	<p>The optimum means of communicating such information to council taxpayers / service users be considered by each local authority to ensure access for all sections of the communities.</p> <p>MHCLG response: Agree, we will work with the LGA and CIPFA to deliver this recommendation</p>	Yes	The Council would need to decide how best to communicate such information to council taxpayers / service users.

No.	Recommendation	Direct Impact on the Council	Current arrangements / Implications for the Council
22	<p>CIPFA / LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.</p> <p>MHCLG response: Agree, we will work with CIPFA to deliver this recommendation</p>	No	This is an action for CIPFA / LASAAC. The ability to simplify local authority accounts represents a significant challenge.
23	<p>JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:</p> <ul style="list-style-type: none"> • Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers; • Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and • Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements. <p>MHCLG response: Agree, we will work with JPAG to deliver this recommendation</p>	No	Not applicable.

CARLISLE
CITY COUNCIL



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Finance and Resources Directorate

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1 March 2021

Dear Max

CONSULTATION ON AMENDMENTS TO THE ACCOUNTS AND AUDIT REGULATIONS 2015

Further to your letter of 9 February, please see the responses to the consultation from Carlisle City Council.

Q1. Do you have any comments about the deadlines proposed?

The Council is generally supportive of the proposed change to the deadline for publishing audited local authority accounts to 30 September as this will ensure that the audit process is robust and thorough and captures the necessary detail required to provide assurances.

However, we believe that by extending the period for the audit process by 2-months that this will have a detrimental impact on resources within the Council's finance function through more queries and time taken up in dealing with auditors when this time is usually taken to begin preparation for budget cycles. Extending the period of audit to 4-months (from end of May to end of September) also gives the auditors a disproportionate amount of time to complete the audit when compared to the time taken to prepare the accounts (2-months from April to end of May).

We therefore welcome that this consultation proposes that the draft accounts be published on or before 1 August and assume that this then means the publication date for the draft accounts is proposed to be 31 July.

Q2. Do you have any comments about the proposal to include a requirement to publicise the reasons why, in exceptional circumstances, the draft accounts have not been published?

The requirement to publish a notice if the Council fails to meet a deadline of 1 August for the period of public inspection is supported by the Council.

Q3. We would also welcome any more general comments on the proposals, including any comments relating to equalities impact or any potential for unintended consequences of any of the amendments proposed.

We are generally supportive of the proposed changes and especially so as there are added pressures due to COVID at this time. However, we feel that having the accounts completed and audited before the summer provides an efficient and effective way to finalise the previous year's activity before moving onto budget and medium-term financial planning activities.

Yours sincerely

A Taylor

Corporate Director of Finance and Resources (S.151)