

AGENDA

Audit Committee

Monday, 14 April 2014 AT 10:00

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

Preparatory / Briefing Meeting

A private preparatory / briefing meeting for Members of the Committee will be held at 9.30 am in the Flensburg Room

Apologies for Absence

To receive apologies for absence and notification of substitutions

Declarations of Interest

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

Public and Press

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

MINUTES

5 - 20

To approve and sign the Minutes of the meeting held on 24 January 2014.
[Copy Minutes in Minute Book Volume 40(5) / herewith]

PART A

To be considered when the Public and Press are present

A.1	<u>MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL</u>	21 - 28
	The Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 20 February 2014 are submitted for information. (Copy Minutes herewith)	
A.2	<u>CERTIFICATION WORK REPORT 2012/13</u>	29 - 40
	The Director of Grant Thornton to present their annual Certification Work Report. (Copy Report herewith)	
A.3	<u>AUDIT PLAN 2013/14</u>	41 - 54
	The Director of Grant Thornton to submit the Audit Plan for 2013/14 (final confirmation of the grants certification fee will be provided). (Copy Report herewith)	
A.4	<u>AUDIT COMMITTEE UPDATE REPORT</u>	55 - 76
	The Director of Grant Thornton to present their report on progress with the 2013/14 audit, together with a summary of emerging and national developments relevant to local government. (Copy Report herewith)	
A.5	<u>HOUSING BENEFIT SUBSIDY CERTIFICATION WORK PLAN</u>	77 - 82
	The Director of Grant Thornton to submit the Housing Benefit Subsidy Certification Work Plan for Carlisle City Council (final confirmation of the grants certification fee will be provided). (Copy Report herewith)	
A.6	<u>FEE LETTER 2014/15</u>	83 - 86
	The Director of Grant Thornton to submit the Audit fee letter for 2014/15. (Copy Letter herewith)	

A.7	<u>AUDIT COMMITTEE'S ANNUAL REPORT</u>	87 - 102
	The Chairman of the Audit Committee to submit a report summarising the work undertaken by the Audit Committee during the past year. (Copy Report RD.03/14 herewith)	
A.8	<u>INTERNAL AUDIT PLAN 2014/15</u>	103 - 120
	The Director of Resources to submit a report providing details of the internal Audit Plan for 2014/15. (Copy Report RD.02/14 herewith)	
A.9	<u>INTERNAL AUDIT PROGRESS REPORT 2013/14 (NO. 4)</u>	121 - 178
	The Director of Resources to submit a report summarising the work carried out by Internal Audit and detailing the progress made on delivery of the approved 2013/14 Audit Plan. (Copy Report RD.01/14 herewith)	
A.10	<u>INTERNAL AUDIT CHARTER</u>	179 - 194
	Pursuant to Minute AUC.15/14, the Director of Resources to submit a report concerning the Internal Audit Charter. The Executive considered the matter on 10 March 2014. (Copy Report RD.05/14 and Minute Excerpt herewith)	
A.11	<u>TREASURY MANAGEMENT OCTOBER – DECEMBER 2013</u>	195 - 208
	The Director of Resources to submit a report providing the regular quarterly summary of Treasury Management Transactions. (Copy Report RD.84/13 herewith)	
A.12	<u>CORPORATE RISK MANAGEMENT</u>	209 - 218
	The Deputy Chief Executive to submit a report updating Members on the Council's risk management arrangements. (Copy Report SD.10/14 herewith)	

A.13 CODE OF CORPORATE GOVERNANCE - ACTION PLAN

**219 -
224**

The Director of Resources to submit a report updating Members on the Council's governance arrangements and its systems of internal control.
(Copy Report RD.04/14 herewith)

PART B

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

Members of the Audit Committee

Conservative – Earp, Mrs Mallinson, Nedved, Bowman S (sub), Mrs Geddes (sub), Mrs Parsons (sub)

Labour – Mrs Atkinson, Atkinson P, Bowditch (Vice Chairman), Ms Patrick (Chairman)

Enquiries to:

Lead Committee Clerk - Morag Durham tel: 817036

MINUTES OF PREVIOUS MEETING

AUDIT COMMITTEE

FRIDAY 24 JANUARY 2014 AT 10.00 AM

PRESENT: Councillor Ms Patrick (Chairman), Councillors Atkinson (P), Boaden (as substitute for Councillor Mrs Atkinson – from 10.15 am), Bowditch, Bowman (S) (as substitute for Councillor Mrs Mallinson), Earp and Nedved

OFFICERS: Chief Executive
Director of Governance
Director of Local Environment
Financial Services & HR Manager
Chief Accountant
Audit Manager
Policy and Communications Manager

ALSO

PRESENT: Ms Jackie Bellard (Director, Grant Thornton); and
Mr Richard McGahon (Manager, Grant Thornton)
Group Audit Manager (Cumbria Shared Internal Audit Service)

AUC.01/14 WELCOME

The Chairman welcomed all those present and, in particular, Ms N Riley (Group Audit Manager – Cumbria Shared Internal Audit Service).

AUC.02/14 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Mrs Atkinson and Mrs Mallinson.

AUC.03/14 DECLARATIONS OF INTEREST

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

AUC.04/14 MINUTES

The Minutes of the meeting of the Audit Committee held on 26 September 2013 were submitted.

The following responses were provided to a Member's questions:

- Minute AUC.51/13 – the Chairman advised that she had discussed the establishment of a Working Group (to consider how the Annual Governance Statement could be produced in future) with the Financial Services and HR Manager. Other work pressures had affected progress, however, the matter would be addressed via workshops or training during April 2014.
- Minute AUC.52/13 – the Director of Governance confirmed that he had immediately written to the Director of Local Environment to bring to her attention the Audit

Committee's concerns regarding the lack of corporate overview and ownership of contract monitoring within that Directorate. A copy of that e-mail had been provided to the Chairman and Councillor Mrs Mallinson.

The Chairman added that the Director of Local Environment would be in attendance when the matter was considered later in the meeting.

- Minute AUC.53/13 – the Audit Manager advised that a report on the position of all follow ups of previous audit recommendations monitored via Covalent was attached at Appendix B to Report RD.79/13 which would be considered later on the Agenda. The position had improved since the last quarter.
- Minute AUC.53/13 – referring to the Committee's concerns that Officers were not complying with the Council's Financial Procedure Rules, the Financial Services and HR Manager confirmed that a note had been prepared and would be submitted to the Senior Management Team for consideration.
- Minute AUC.55/13 – Resolution (3) - the Director of Governance confirmed that the Corporate Risk Register now included the relevant Overview and Scrutiny Panel alongside the Portfolio Holder and Lead Officer, as requested by the Committee.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 26 September 2013 be agreed as a correct record and signed by the Chairman.

AUC.05/14 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL

The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 10 October and 28 November 2013; and 6 January 2014 were submitted for information.

Referring to Minute ROSP.71/13 – Resolution (2), a Member questioned whether the Corporate Environmental Working Group had been re-established.

In response, the Director of Governance clarified the Audit Committee's role. He added that Members should not feel restricted in their questioning.

Referring to Minute ROSP.75/13 – Resolution (3), the Chairman asked the Financial Services and HR Manager to ensure that the Director of Resources' written response to the Panel's questions regarding the Central Hotel, Victoria Viaduct be also circulated to Members of this Committee.

RESOLVED – (1) That the Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 10 October and 28 November 2013; and 6 January 2014 be noted and received.

(2) That the Director of Resources' written response regarding the Central Hotel, Victoria Viaduct be also circulated to Members of the Audit Committee.

AUC.06/14 GRANT THORNTON - ANNUAL AUDIT LETTER 2012/13

The Director (Grant Thornton) presented, for information, the Annual Audit Letter for the City Council, the purpose of which was to summarise the key findings from the work carried out for the year ended 31 March 2013, namely auditing the 2012/13 Accounts and

Whole of Government Accounts submission; assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and certification of grant claims and returns.

By way of a reminder, the Director stated that the Audit conclusions provided in relation to 2012/13 were:

- an unqualified opinion on the Accounts which gave a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the Council's Whole of Government Accounts submission
- Grant Thornton had certified the National Non-Domestic Rates return without amendment. Work was ongoing on the Housing Benefit and Council Tax Benefit claim and they would need to issue a qualification letter. A certification report would come forward to the next meeting of the Audit Committee

The Director (Grant Thornton) then drew Members' attention to the key areas for Council attention as detailed on pages 4 and 5 of the report.

RESOLVED – That the Audit Committee noted and received the Annual Audit Letter for 2012/13

AUC.07/14 GRANT THORNTON – AUDIT COMMITTEE UPDATE

The Manager (Grant Thornton) presented a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors. Also included was a summary of emerging national issues and developments of relevance to the authority; together with a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.

The Manager explained the background position, informing Members' that a number of useful publications were detailed on page 4. He had forwarded copies thereof to the Lead Committee Clerk and Members could discuss how they wished to access the documentation.

The Manager outlined the content of the publication entitled "2016 tipping point – Challenging the current" commenting that it was saying that for 2012/13 Councils were found to be generally quite resilient. In terms of financial arrangements, the biggest challenge moving forward would arise during 2015/16 and 2016/17. The publication also highlighted areas where local authorities could consider to improve their financial resilience. That included taking a robust look at their ability to raise income, consider partnership working and alternative delivery models. He also highlighted the issue of local government reorganisation, whether driven by Government or Councils themselves.

Although he had not read the publications referred to, a Member considered Council Tax to be one key area whereby the Council may raise income. The Member indicated that he would welcome the external auditors' views/advice thereon and, particularly in terms of the Council's ability to maintain current service delivery (i.e. was an increase in Council Tax required)? He further raised the issue of future re-organisation of local government within Cumbria.

The Chairman stated that clearly there were a number of emerging issues which required to be determined by the authority, some of which would be dealt with through the Budget process.

The Member agreed, but reiterated his request for advice from the external auditors.

The Manager (Grant Thornton) explained that the Audit Committee Update Report was designed to highlight the challenges faced by the Council. He referred to page 7 of the report, commenting that the reference to raising income was more about looking at other income streams e.g. car parking, as opposed to Council Tax. The matter of setting the Council Tax was a political decision for the Council to determine.

The Chairman clarified that it was not the role of the Committee to discuss those emerging issues in detail at this point in time.

Another Member stated that Grant Thornton's report raised a number of very important and pertinent issues for consideration by the authority. A considerable amount of work would be required and he questioned the process for taking that on board.

The Financial Services and HR Manager suggested that, in the first instance, the Audit Committee Update Report could be submitted to the Senior Management Team and possibly the Executive.

The Chief Executive commented that the report was helpful in terms of raising a number of issues upon which the authority needed to reflect. There would need to be a political will before local government reorganisation would take place within Cumbria.

The Chief Executive emphasised that the Council's duty was to the people of Carlisle. Clearly the next few years would be challenging in terms of the level of savings required.

The Manager (Grant Thornton) then outlined progress as at 13 January 2014, together with the emerging issues and developments, details of which were provided within the report. One major change related to property plant and equipment revaluations and he would discuss that with the Financial Services and HR Manager, and the Chief Accountant.

In response to a Member's question concerning income from charging, the Financial Services and HR Manager advised that many of the issues identified for consideration were being addressed via the Corporate Charging Policy and Charging Reports considered as part of the annual budget process. It would also be possible to provide a response to a future meeting of this Committee.

The Audit Manager (Internal Audit) referred Members to the Audit Plan 2013/14 (page 110 of the Agenda Document Pack) commenting that Internal Audit intended to look at the matter.

In response to a question, the Director (Grant Thornton) advised that although the report was circulated to local authorities generally, the emerging issues were tailored so that the City Council only received those of relevance.

The Chief Executive suggested that the emerging issues which were of relevance to the Council could be tabulated and an explanation provided to demonstrate that the issues were being addressed.

A Member asked whether hard copies of the publications referred to above could be provided to him. Another Member suggested that the documentation could be placed in each of the Political Group Offices.

The Director of Governance explained that the authority was actively trying to promote on-line working. If, however, individual Members wished to receive hard copies of the documentation that could be arranged.

The Chairman thanked the Director and Manager for submission of what was a really useful update report. She added that Officers would look at uploading the audit publications onto the Council's Committee Management Information System (CMIS).

RESOLVED – (1) That the Audit Committee noted the content of the Update Report for the year ended 31 March 2014.

(2) That although the emerging issues and developments would be considered by Financial Services; the Audit Committee recommended that the Report also be submitted to the Senior Management Team and the Executive for consideration.

(3) That a report (updating Members on progress in addressing the emerging issues) be submitted to a future meeting of the Committee.

AUC.08/14 FINAL ACCOUNTS PROCESS 2013/14

The Chief Accountant submitted report RD.72/13 providing information on the 2013/14 Final Accounts process.

He reminded Members that the 2012/13 Annual Audit Findings Report, considered by the Committee on 26 September 2013, acknowledged the continuing significant improvements in the final accounts process compared to previous years. Nevertheless, the report did set out two recommendations in respect of the final accounts process. Details of those recommendations and how they had been addressed were provided at Section 2.1 of Report RD.72/13.

Turning to the changes arising from the 2013 Code of Practice on Local Authority Accounting, the Chief Accountant explained that the main change for the 2013/14 year end was the change required to the Collection Fund for the new Business Rate Retention Scheme. There were also changes to the way pension costs were accounted in line with changes to IAS19 (International Accounting Standard). He added that further guidance on the accounting treatment for those two issues would be provided in the CIPFA year end LAAP bulletin.

The Chief Accountant then reported that the existing Statement of Accounting Policies had been reviewed to reflect the changes in the 2013 Code of Practice and also to provide further explanation of other existing policies. Those were attached at Appendix A and were based upon the Code of Practice.

Members were asked to consider the Accounting Policies as outlined to provide the basis for the preparation of the 2013/14 Accounts.

It was proposed that a training session (for Members) be held in June / July 2014 in order to facilitate their understanding of the Accounts, the Accounting Policies and the main changes required as a result of the 2013 Code of Practice.

In response to a Member's question, the Chairman advised that she had requested a separate training session to address the Accounts in more detail.

The Financial Services and HR Manager added that the training could be made available to all Members.

RESOLVED – That the Audit Committee noted the content of Report RD.72/13, including the changes highlighted, and had considered the accounting policies to be used in the preparation of the 2013/14 Accounts.

AUC.09/14 REVIEW OF FINANCIAL PROCEDURE RULES – RETENTION OF DOCUMENTS

The Financial Services & HR Manager submitted report RD.73/13 providing Members with proposed changes to the authority's Financial Procedure Rules in respect of the retention of documents.

In order to comply with audit certification guidelines and to protect any grant funding received it may be necessary to retain documents longer than the timeframes set out in the Financial Procedure Rules. It was therefore considered prudent to include a caveat to that effect within the Constitution as proposed below.

Current wording:

There is a legal requirement to retain certain records for periods between three years and permanently. A grid, which gives guidelines on how long documents should be held, is shown below.

Proposed additional narrative:

However, other contracts, partnerships, agreements and grant related certification requirements may stipulate longer timeframes and these should take precedence over such obligations. Relevant responsible officers should provide the necessary information on retention periods to Financial Services.

Members were asked to note that following the Internal Audit Review of 'Records Management' which was considered elsewhere on the Agenda, a project group was being established whose remit was to develop a corporate Records Management Policy and to review the Council's retention schedule in more depth. The aim was to complete that piece of work by the end of March 2014.

In response to Members' questions the Financial Services and HR Manager commented that a great deal of historical information had been lost during the Carlisle Floods.

The Audit Manager added that a Project Group had been established whose remit it was to develop a corporate Records Management Policy and to review, in more depth, the Council's retention schedules.

RESOLVED – That the Audit Committee approved the proposed changes to the Council's Financial Procedure Rules in respect of the retention of documents, as outlined in Report RD.73/13 for recommendation to Council on 4 March 2014.

The meeting adjourned at 10.50 am and reconvened at 10.57 am

AUC.10/14 CODE OF CORPORATE GOVERNANCE - ACTION PLAN

Pursuant to Minute AUC.52/13, the Financial Services & HR Manager submitted report RD.74/13 updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.

The Financial Services & HR Manager explained that the Annual Governance Statement for 2012/13 had highlighted one area of weakness (related to contract monitoring) in the Council's governance arrangements, together with the progress made against that area (Appendix A referred).

She added that there were no new significant issues which needed to be brought to Members' attention, nor were there any new areas of risk arising from the Audit Reviews or from the Risk Registers that needed to be drawn to Members' attention.

In conclusion, the Financial Services & HR Manager asked that the Committee note the Action Plan attached to the report, together with the current position relating to the issue identified. Notwithstanding that, any areas of significant weakness identified in Internal Audit Reviews considered elsewhere on the agenda would form part of the next Action Plan.

The Chairman pointed out that the Committee had, at their last meeting, raised concerns regarding the lack of corporate overview and ownership of the contract monitoring within the Local Environment Directorate. Concerns had also been raised regarding the skills framework and training of staff to carry out the contract monitoring role. Members had tasked the Director of Governance to write to the Director of Local Environment to bring to her attention the Audit Committee's concern as part of the ongoing consultation process. Internal Audit would provide a follow-up report to the July 2014 meeting of the Committee.

The Director of Local Environment informed Members that a fundamental review of the Waste Services had been undertaken, the new structure having to address a number of issues in addition to those highlighted by the Committee.

The Director of Local Environment gave a presentation on the Neighbourhood Services Review outlining, in some detail, the work undertaken and current position as regards:

- the Bring Site Contract
- the Recycling Contract
- the improvements which would emanate from the new structure
- the new Technical Team
- the service request function

The Director of Local Environment explained how contract monitoring was embedded within all the roles in the new Technical Team and it was explicitly cited in the job purpose of the Technical Manager and Technical Officer roles. As significant volumes of customer requests were made to the team about both in house and out sourced services, that was the most effective way of ensuring that contract performance met required standards. Improved management of information was also essential in performance monitoring of both the in house services and the contracted out services and the new back office database would address that.

The Director of Local Environment then responded to Members' questions / comments:

Relationship with the contractor – any issues would be addressed at the correct level within the new Technical Team. A programme of regular meetings between the Technical Manager, the Contracts Manager at FCC and the Neighbourhood Services Manager had now been established;

In house and external waste collection – whilst a mix of service delivery generally worked well, the collection of dry recycling being split between in house and out sourced service was not an efficient way in which to deliver the service. A range of service delivery options would be submitted to the Executive at the correct time;

Many good ideas came from people on the ground – more generic roles of Technical Officer and Technical Clerks had been introduced so that information and job roles were shared, thus promoting better team working, communication and flow of work; and

Information flowed between CRM and back office systems.

A Member considered that a full in-house service would be advantageous in terms of raising additional income for the Council.

The Chairman clarified that the Committee was not looking at the wider service delivery issues today.

A Member stated that he had faith in the procedures which were now in place, having been reassured by the Director's presentation to the Environment and Economy Overview and Scrutiny Panel on 16 January 2014.

The Director of Local Environment added that she was happy to discuss the matter in greater depth with any Member out with this meeting.

The Chief Executive emphasised the need for a corporate Contracts Management role (with overall responsibility / contracts management skills) which would report to the Deputy Chief Executive.

A Member expressed some concern that the type of corporate approach to contracts management alluded to above may not materialise. He was not at this point in time reassured by what had been said.

In response, the Chief Executive explained that there were three areas (the contracts alluded to by the Director of Local Environment; and the two significant contracts i.e. Tullie House and Carlisle Leisure Ltd). In reality, and given the available resources, it made

sense to have a Contracts and Community Services Manager within the Deputy Chief Executive's Team and posts located more locally within the new Technical Team.

The Chief Executive considered that those arrangements would be satisfactory but would require regular monitoring.

The Director of Local Environment added that the contracts were different in terms of how they were delivered in that the waste contract customer contact was via the Council whereas CLL and Tullie House were managed by the contractor so it was appropriate that different contract monitoring arrangements were in place. Who managed customer demand could be considered in the waste contract in the future, so long as it was easy for the customer.

The Director of Local Environment added that the contracts were different in terms of how they were delivered and an alternative approach may be taken in future.

The Chairman respected the views expressed by Officers, adding that the issues would be the subject of future audit reviews.

A Member recognised the need for flexibility and endorsed the approach outlined by the Chief Executive and the Director of Local Environment.

RESOLVED – That the Code of Corporate Governance Action Plan and the current position relating to the issue which has been identified be noted.

AUC.11/14 INTERNAL AUDIT PROGRESS REPORT 2013-14 (NO. 3)

The Audit Manager submitted report RD.79/13 summarising the work carried out by Internal Audit and detailing progress made on delivery of the approved 2013/14 Audit Plan.

The Audit Manager reminded Members that the 2013/14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15 April 2013 (Report RD.06/13 referred). The current position of the Plan up to the end of December 2013 was illustrated at Appendix A for Members' assistance.

The Plan called for 540 direct audit days to be delivered in 2013/14. 335 days (62%) had been delivered up to the end of the third quarter period. Details of the areas upon which time had been spent were provided.

Members were asked to note the progress made against the agreed 2013/14 Audit Plan.

In terms of amendment to the 2013/14 Audit Plan, the Audit Manager explained that 20 days had been allocated within the Plan to Project Support. Since that time had not been utilised to date it was proposed that it should be redirected to support the additional requirements which had been necessary to implement and monitor the revised arrangements for reporting of previous audit recommendations.

Although 40 days were allocated in the Plan to undertake two Value for Money Reviews insufficient time remained to deliver both reviews due to necessary additional time being spent on certain high risk reviews (predominantly Procurement and Revenues Recovery). The Value for Money allocation would therefore be reduced to one review of 20 days to accommodate that additional time spent.

The above proposed amendments to the Plan had been discussed and agreed with the Director of Resources, and Members were asked to note the changes to the Audit Plan.

A report on the position of all follow ups of previous audit recommendations monitored via Covalent was attached as Appendix B. Attention was drawn to the colour coding used to highlight the progressive action taken against each audit recommendation.

In summary, a total of 69 recommendations had been monitored during the reporting period; 58 where sufficient action was reported and those recommendations were now closed. Of the remaining 11 'open' recommendations; 6 were in progress and 5 were where insufficient information had been provided to determine whether or not appropriate action had been taken to date. For those recommendations which had not had an adequate response, further enquiries with Managers had been made.

Members were asked to note the position on the follow up of previous audit recommendations.

A Member noted that the Summary of Audit Recommendations covered a lengthy period (from April 2012 to date). He questioned when the closed actions (green) would be removed from the report. If, however, an amber / red action had moved to green that should still be reported to the Committee prior to being removed.

In response, the Audit Manager suggested that in future only those actions marked amber or red should be brought before the Committee. Other mechanisms (e.g. follow ups on audit reviews) would ensure that nothing was missed.

Members questioned whether response deadline dates were put in place for overdue actions (red), and whether that was an ongoing trend specific to particular audit reports.

The Audit Manager replied that the issue was around encouraging Managers to keep Covalent up-to-date, and that prompts were sent out when required. Covalent could not pick up upon trends.

The Chairman commented upon the need to reinforce outstanding audit recommendations. If responses were not provided the Committee may ask Officers to attend to explain the reason why.

The Chief Executive said that the audit recommendations could be considered by the Senior Management Team in order to encourage staff to respond in a timely fashion. If the Committee required staff to be held to account, then he insisted that Senior Officers only should attend.

The Director of Governance stressed that the Committee should be made aware of the good positive work undertaken by staff, in addition to any areas of concern.

The Audit Manager then outlined in some detail the content and ratings attached to the audit reports in respect of External Funding; Electoral Registration; Performance Service Standards; Revenues Recovery; and Records Management. Copies were appended to the report.

The Committee gave consideration to the completed audits, raising the following issues:

- Audit of Electoral Registration

It was pleasing to note the areas of good practice (detailed at section 6.2 of the Review) and the excellent work undertaken by the Electoral Services Team.

- Audit of Performance Service Standards

The Chairman questioned how many of the recommendations had been actioned by the agreed date.

The Audit Manager replied that, because the Review had been awarded a reasonable assurance level the information would be entered into the Covalent Performance Management System, and progress reported to the next meeting of the Audit Committee.

- Audit of Revenues Recovery

Referring to Recommendation 5 - the use of Bailiffs, the Chairman noted that local authorities had differing strategies in terms of vulnerable people. She assumed that would be addressed.

The Audit Manager referred to the use of SLAs and the alignment of procedure in that area.

- Audit of Records Management

The Chairman reminded Members that the Audit of Records Management was originally reported in September 2012 and had been awarded a restricted assurance level, with three high level recommendations having been identified. The assurance level remained at partial. She suggested that questioning should be around the reasons / rationale for that delay.

The Policy and Communications Manager was in attendance. He provided the following update in respect of each of the recommendations contained within the Action Plan:

R1 – a draft Records Management Policy was now out for consultation with staff with a response date of 28 February 2014. The consultation exercise would provide an opportunity to discuss the matter in detail with Managers, thus capturing any key issues raised. Members would also be consulted.

R2 – the aim was to ensure a defined and systematic approach to the implementation of a proper records management system within the Council. The Records Management Project had been accepted by the Corporate Programme Board. Work had commenced on the project, and he and the Corporate Information Officer were the key Officers who would drive the matter forward.

R3 – would be concluded in February 2014, with overall guidance to support the framework being built in during March 2014.

Members could be assured that the lack of a Records Management Policy did not mean that there was no records management. Some excellent examples of records management had been found within the authority.

R5 – discussions were taking place in terms of how detailed the ‘disposal log’ needed to be.

R6 – all of the critical roles were dealt with within the Policy. The delay had occurred due to the need to look at the structure. The necessary research was now in place to move the matter forward.

The Chief Executive acknowledged that there was a lesson to be learnt by the Senior Management Team (SMT) in terms of a greater awareness of audit recommendations and supporting Managers in implementing those in a timely manner. The ‘traffic lighting’ of recommendations would assist SMT in properly executing their responsibilities. He apologised that that had not happened on that occasion.

A Member thanked the Chief Executive for what was a logical approach and looked forward to the outcome thereof in due course.

In response to a question, the Policy and Communications Manager advised that the one day Records Management training course had been provided by an expert in the field.

The Chairman was mindful of the constant advances in technology and questioned whether the Council would have the ability to retain electronic records moving forward (i.e. could such records be transferred onto different formats?)

The Policy and Communications Manager replied that archiving would be included within the Records Management Policy and he was therefore confident that the Chairman’s concern could be addressed.

The Chairman also sought an assurance that training would be disseminated to staff as appropriate.

In conclusion, the Audit Manager reported upon the recommendations.

RESOLVED – (1) That report RD.79/13 be received and progress made against the agreed 2013/14 Audit Plan referred to in Section 2 and as illustrated in Appendix A be noted.

(2) That the amendments to the 2013/14 Audit Plan, as detailed in Section 3, be noted.

(3) That the position on the follow up of previous audit recommendations, as outlined in Section 4, be noted; the Audit Committee recommended that the process for updating Covalent with details of the progressive action taken in relation to each audit recommendation be strengthened so that Internal Audit was aware prior to reporting to this Committee, otherwise Officers may be required to attend the Committee.

(4) That the Audit Committee received the completed audit reports referred to in Section 5 of the report, subject to a full update on progress with the Records Management Review being submitted to the next meeting.

(5) That the Audit Committee agreed the amendment to future reporting of the Summary of Audit Recommendations – Monitoring Report as outlined above.

AUC.12/14 TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2014/15

The Chief Accountant submitted report RD.63/13 setting out the Council's Treasury Management Strategy Statement for 2014/15 in accordance with the CIPFA Code of Practice on Treasury Management.

He informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2014/15 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

Members were asked to note and comment upon the proposed Treasury Management Strategy for 2014/15.

RESOLVED – That the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2014/15 be noted.

AUC.13/14 TREASURY MANAGEMENT – JULY TO SEPTEMBER 2013 AND FORECASTS FOR 2014/14 TO 2018/19

The Chief Accountant submitted report RD.55/13 providing the regular quarterly report on Treasury Transactions, together with an interim report on Treasury Management as required under the Financial Procedure Rules. The report also discussed the City Council's Treasury Management estimates for 2014/15 with projections to 2018/19, and set out information regarding the requirements of the Prudential Code on local authority capital finance.

The Chief Accountant emphasised, in particular, the fact that interest receivable was falling behind budgeted projections due to average investment returns being lower than those anticipated when the budget was set. He also advised Members that Sector (the Council's Treasury Advisors) had changed their name to Capita Asset Services.

In response to a query raised by the Manager (Grant Thornton), the Chief Accountant confirmed that the Council Tax figures had not been collated correctly. He clarified the position for Members, commenting that collection levels had remained fairly stable in each of the past three years.

The Chief Accountant then responded to Members' questions regarding interest projections and the portfolio composition by Sector's suggested lending criteria.

RESOLVED - That Report RD.55/13 be received.

AUC.14/14 INTERNAL AUDIT EFFECTIVENESS REVIEW

The Group Audit Manager (Cumbria Shared Internal Audit Service) reported (RD.81/13) that Cumbria County Council had commissioned a review of the Internal Audit Shared Service in spring 2013. That was to assist the incoming Group Audit Manager in developing the audit service in line with the Public Sector Internal Audit Standards

(PSIAS). Those standards became mandatory for all UK public sector internal audit services from 1 April 2013.

Grant Thornton undertook the review as a piece of consultancy work separate from the external Audit Team which carried out the final accounts work at the County and District Councils. That approach was designed to provide an independent assessment of the Internal Audit Service and invite recommendations for further developments to ensure conformance with the PSIAS.

Members' attention was drawn to the report at Appendix A which summarised the approach taken and the findings arising from the review, along with an agreed Action Plan for implementation.

The Group Audit Manager advised that the review had highlighted a number of strengths and good practice arrangements in place by the Internal Audit Shared Service along with 17 recommendations which were geared to aid further service improvements. Audit management welcomed the findings of the review and had already established a series of internal working groups which would support the effective implementation of the agreed recommendations. Progress made by those working groups would be reported to the Shared Service Operational Board.

The Group Audit Manager and the Audit Manager then outlined, in some detail, each of the recommendations contained within the Action Plan.

Referring to Recommendation 2, the Chairman reported that the Committee was not made aware of the reasons why certain risks were not included within the Audit Plans.

In response the Audit Manager advised that it was not possible to look at all of the areas, however, key risks were addressed through the planning process.

Referring to Recommendation 7, a Member asked when the Internal Audit Manual would be available.

The Group Audit Manager replied that there was no definite end date. Work was in progress, some of which would be long term. Sections would be replaced as processes developed; therefore the matter would be ongoing over the coming twelve/eighteen month period.

A Member sought clarification of the statement "87% of staff felt that being part of a Shared Service has only partly or not changed IA delivery in a beneficial way".

The Group Audit Manager explained that a survey had been undertaken by the external auditors. Part of the reason for the response related to staff experiencing little change in their day to day work since the establishment of the Shared Service.

The Audit Manager added that over the last year that situation had improved and staff had been afforded the opportunity to work on audits elsewhere in the Shared Service, even though they were based in the Civic Centre.

The Chairman asked when the Committee might expect a progress report against the actions contained within the Action Plan.

The Group Audit Manager advised that a progress report could be submitted within six months.

RESOLVED – That the report findings and resulting Action Plan, attached at Appendix A to Report RD.81/13, be noted.

AUC.15/14 INTERNAL AUDIT CHARTER

The Group Audit Manager (Cumbria County Council) submitted report RD.80/13 presenting a draft Internal Audit Charter (Appendix A) setting out the arrangements for the delivery of the Internal Audit service to Carlisle City Council.

It was a requirement of the mandatory Public Sector Internal Audit Standards that the Council had a Audit Charter in place, which had been approved by senior management and the Audit Committee.

Members' attention was drawn to the key elements of the Charter, together with the responsibilities of management, as outlined at Section 1.2 of the report.

The Group Audit Manager added that Internal Audit helped 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 diagram attached at Appendix B illustrated the three lines of defence in ensuring that organisations were adequately managing their risks. Internal Audit formed the third line of defence alongside other independent external providers of assurance. Importantly, the role of Internal Audit was to provide the senior management and elected Members of the organisation with assurance that the arrangements within the first and second lines of defence were adequate and working effectively to manage risks.

The Chairman noted that Section 3.8 (Authority) made no mention of confidentiality. She believed that to be a key requirement for inclusion within the Charter.

The Group Audit Manager replied that the new Standards contained a new mandatory Code of Ethics which could be mirrored within the Internal Audit Charter.

Referring to page 245 (Reporting), the Chairman noted that draft audit reports would be produced on a "timely basis" following all audit reviews. She recalled that the audit of Customer Services had been ongoing for years and expressed a wish to see more defined timescale(s) included within the Internal Audit Charter.

In response, the Group Audit Manager said that the matter would form part of other service and performance measures.

The Audit Manager also emphasised the need to ensure that the Action Plans attached to final audit reports remained current and were not out of date.

In response to questions regarding the procedure for approval of the Internal Audit Charter, the Director of Governance suggested that the Audit Committee recommend the Charter to the Executive for final approval.

RESOLVED – (1) That the Audit Committee had considered the draft Internal Audit Charter and noted that the document would be updated annually and submitted for approval to senior management and the Audit Committee alongside the annual Audit Plan.

(2) That the Audit Committee considered that confidentiality was a key requirement for inclusion within the Charter.

(3) That, subject to the above, the draft Internal Audit Charter be referred to the Executive for approval.

[The meeting ended at 12.55 pm]

RESOURCES OVERVIEW AND SCRUTINY PANEL

THURSDAY 20 FEBRUARY 2014 AT 10.00AM

PRESENT: Councillor Watson (Chairman), Councillors Allison, Mrs Atkinson, Bowman S, Dodd, Layden, J Mallinson and McDevitt (from 10.10).

ALSO PRESENT Councillor Dr Tickner – Finance, Governance and Resources Portfolio Holder
Councillor Mrs Luckley – Observer
Councillor Whalen – Observer

OFFICERS Town Clerk and Chief Executive
Director of Resources
Organisational Development Manager
Overview and Scrutiny Officer
Performance and Policy Officer

ROSP.07/14 APOLOGIES FOR ABSENCE

There were no apologies for absence submitted.

ROSP.08/14 DECLARATIONS OF INTEREST

There were not declarations of interest submitted in relation to the business to be transacted at the meeting.

ROSP.09/14 CALL-IN OF DECISIONS

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

ROSP.10/14 MINUTES OF PREVIOUS MEETING

In response to a query from a Member the Director of Resources advised that the voluntary redundancy initiative and the savings in 2015 would realise the required £1million saving in the staffing budget. The voluntary redundancy initiative was currently going through the appeal process and had saved £150,000. The Director explained that the Executive had given clear direction that compulsory redundancies would be minimal if at all.

The Finance, Governance and Resources Portfolio Holder explained that with regard to voluntary redundancies Managers would be looking at how the organisation would work in the future.

RESOLVED – That the minutes of the meeting held on 6 January 2014 be noted.

ROSP.11/14 OVERVIEW REPORT AND WORK PROGRAMME

The Scrutiny Officer presented report OS.05/14 which provided an overview of matters that related to the work of the Resources Overview and Scrutiny Panel.

The Scrutiny Officer reported that the Notice of Key Executive Decisions had been published on 7 February 2014. There were no items which fell within the remit of the Panel.

The Scrutiny Officer drew the Panel's attention to the following Minute Excerpts:

- EX.01/14 – Budget 2014/15, and
- EX.06/14 – Executive Response for the Budget Consultation and Recommendations for the 2014/15 Budget.

A meeting of the Scrutiny Chairs Group was held on 6 February 2014. The Overview and Scrutiny Officer advised that notes of the meeting had been circulated and highlighted the key points from the meeting. Some clashes with meetings of the County Council had been identified and would be discussed at the first meeting of the Panels in the new municipal year to determine whether any meetings dates needed to be amended. The Group had also looked at the structure of the Panels but had agreed, after consultation with their groups that the current structure would remain. The Deputy Chief Executive had suggested that the Senior Management Team could provide more support to the Panels in the development of the Work Programme which would be considered at the first meeting of the new municipal year.

The Annual Scrutiny Report 2013/14 would be submitted to each of the Panels in March and April before going back to the Scrutiny Chairs Group for approval. The final report would then be submitted to Council on 29 April 2014. The Overview and Scrutiny Officer requested any issues to be included in the Report to be forwarded to her as soon as possible.

The Scrutiny Officer drew Members attention to the Work Programme and advised that the Financial Services and HR Manager had requested that the item on Significant Partnerships could be deferred to June to allow for a full year end report to be submitted.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to this Panel (OS.05/14) be noted.

2) That the decisions of the Executive (EX. 01/14 and EX.06/14) be received.

3) That the item on Significant Partnerships be deferred on the Work Programme until June to allow for a full year end report to be provided.

**ROSP.12/14 2013/14 SICKNESS ABSENCE REPORT APRIL TO DECEMBER
2013**

The Chief Executive presented Report CE.03/14 which set out the authority's sickness absence levels for the period April 2013 to December 2013, 2013/14 benchmarking and other sickness related information. He explained that there had been an 18% reduction in absenteeism in 2012/13 compared to the previous year, which had been attributed to less stress related absences, revised attendance management policies and the introduction of a wider employee assistance programme.

Referring to the report the Chief Executive advised that in the same period as last year sickness levels had again reduced, by 4% and for the rolling twelve months to the end of December 2013 97.4% of return to work interviews were completed. That was an increase on the previous two years' figures.

North West Employers produced a benchmark summary of the region's local authorities' sickness absence statistics at the midpoint of the financial year. For the first six months of 2013/14 Carlisle were fifth out of thirteen district council; the authority had previously been placed fourteenth out of eighteen in 2012/13 and worst performing in 2011/12.

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

- *Members were pleased with the figures indicated within the report.*
- *A Member was concerned that the report did not address the long term sickness figures.*

The Chief Executive stated that the Council had been tackling short term sickness and the results of that were reflected in the report. The return to work interviews picked up any incidences of repeated short absences. Due to the improvement in short term absences it indicated a higher proportion of long term sickness but in fact there were very few in terms of numbers. The Chief Executive explained that he met with line managers of people on long term sick leave to check that they were doing all they could to support that member of staff and was satisfied with the support being provided.

- *The report indicated a figure over an eight month period. Calculating that to twelve months would give a figure of 10.8 days per employee.*

The Chief Executive explained that when the figures were calculated seasonal issues were taken into account. It was expected that there would be more sickness during the winter months and that had been included within the calculation.

- *A Member was concerned at the level of sickness due to stress and depression and queried whether that was due to the current circumstances.*

The Chief Executive was of the view that those levels were not due to the consequences of changes within the authority due to required savings and there had been a relative decrease in the last couple of years.

A stress audit would be undertaken shortly but overall numbers of absences due to stress had fallen.

The Chief Executive acknowledged that for those members of staff who had applied for voluntary redundancy it had been a stressful period waiting for the decision on their application but he stressed that he was trying to ensure that managers were communicating plainly and consistently on the situation and that if any issues were treated as confidential he was happy to explain the reason why. There were a number of issues in the next few years that would be outside the Council's control but how the Council dealt with those issues was within the Council's control.

- *One of the reasons for absence is "Other and no reason given". Can that option be removed as staff should provide a reason if they are unable to come into work.*

The Chief Executive explained that it may be the case that it was to cover a number of alternative reasons and the Director of Resources advised that the categories were national categories and not produced by the Council. The Chief Executive confirmed that he would discuss the matter with colleagues in the Policy unit and report back to Members.

RESOLVED: 1) That Report CE.03/14 – 2013/14 Sickness Absence Report – April to December 2013 – be noted.

2) that an explanation of the categories of sickness be reported by the Chief Executive to the Members of the Panel.

ROSP.13/14 PERFORMANCE MONITORING REPORTS

(a) QUARTER THREE PERFORMANCE REPORT 2013/14

The Policy and Performance Officer presented report PC.02/14 that updated the Panel on the Council's service standards that helped measure performance and customer satisfaction, and included updates on key actions contained within the Carlisle Plan.

Details of each service standard were included in a table appended to the report. The table illustrated the cumulative year to date figure, a month-by-month breakdown of performance and, where possible, an actual service standard baseline that had been established either locally or nationally. The updates against actions in the Carlisle Plan followed on from the service standard information which was attached to the report as Appendix 2.

With regard to Service Standards relevant to the Panel the Policy and Performance Officer explained that the average number of days to process new benefit claims had improved since the end of last year and the Council was now in the second quartile compared to other authorities.

The Director of Resources explained that Officers were monitoring the situation as the final quarter would be busy with the distribution of Council Tax bills etc and that historically time taken to process new claims had increased in the fourth quarter.

The Policy and Performance Officer advised that the other service standards were on target and that the priorities of the Carlisle Plan were being successfully delivered. A more detailed overview of the progress made in the delivery of the Carlisle Plan would be included in the end of year report due at the Panel in the summer.

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

- *Does the Council obtain a set price for waste or does it look around for the best prices available?*

The Director of Resources advised that the Council were tied into a long term contract for waste disposal.

- *A Member requested that the proposed Art Centre be included in the Work Programme for this Panel and the Community Overview and Scrutiny Panel and queried whether the Council was committed to producing a full business case. The Member had attended two recent events at the Arts Centre which were very poorly attended.*

The Finance, Governance and Resources Portfolio Holder explained that any project had to go through a process and that a business case would be developed further through the process. Plans had to be developed and an accurate cost of work calculated before a business case could be produced. The Executive were convinced that the Arts Centre would be successful and that it was what people wanted. Evidence showed that there was a great deal of interest and as part of the strategy moving forward Officers would monitor the levels of support.

The Chief Executive explained that a lot of information was needed before a business case was developed and when a final decision had been made and a business plan produced it would be presented to Members. The Chief Executive believed that members of the public would attend specific events rather than visit on a day to day basis. Any decision to proceed would be discussed at a meeting of the full Council and Scrutiny Panels.

- *A Member did not believe that it was the right time to prioritise the Arts Centre but wished it success if it went ahead.*
- *A Member was concerned that he did not know about the ice rink until he read about it in the newspaper. The Member queried whether the decision had been made by all Members or by the Executive?*

The Director of Resources explained that because the cost to the Council was less than £70,000 the decision could be made by the Executive but had been made available to Members through the regular monitoring reports.

The Finance, Governance and Resources Portfolio Holder explained that the Executive had considered the business case and that it had proved to be cost effective. The rink could be moved to other sites to be incorporated into special events around the city.

RESOLVED: That Report PC.02/14 – Quarter Three Performance Report 2013/14 – be noted.

(b) ORGANISATIONAL DEVELOPMENT PLAN

The Organisational Development Manager presented Report CE.04/14 which updated Members of progress against the Organisational Development Plan 2013-15. The Plan set out key objectives, outcomes for employees, key actions and measures of success for organisational development issues and built on the work done in the Plan in 2011-13.

The Organisational Development Manager explained that the Plan reflected the vision and priorities of the Carlisle Plan and referenced other organisational initiatives including organisational culture, partnership working, a skilled workforce and health and wellbeing. She highlighted a number of successful issues including workshops, partnership working in relation to a Coaching Academy for Cumbria, the health and wellbeing workshops and the Salary Sacrifice Car and Computer Schemes.

The Organisational Development Manager advised that there would be a National Apprentice Week at the beginning of March and a bid to take on four apprentices had been included in the 2014/15 budget. She was working with the Chief Executive and the Deputy Chief Executive on finding providers.

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

- *Apprentices could be used in areas where most needed. Would four be sufficient?*

The Organisational Development Manager believed that four was the right number to start with and of the four apprentices employed by the Council in the last 2½ years three were now employed by the Council.

The Chief Executive explained that a pot of money had been identified for apprentices and managers were required to bid and explain how they could fit into their service. He further explained that the type of management required would change over the period of the apprenticeship and he wanted to see how managers could use the apprentices for their own development.

The Finance, Governance and Resources Portfolio Holder stated that if a post had been made redundant it would not be replaced by a person on the apprenticeship scheme.

- *With regard to appraisal would they be team appraisals or individual appraisals?*

The Organisational Development Manager explained that both types of appraisals would be undertaken and employees could request an individual appraisal.

- *A Member welcomed the Health and Wellbeing initiative but queried the take-up of the e-learning modules.*

The Organisational Development Manager explained that the e-learning modules had been set up approximately two years ago and included a wide range of topics. Whilst some members of were quite enthusiastic others were not. Therefore it had been decided to include information on e-learning in the new starter induction training with one to one sessions explaining the system. Since that introduction a number of staff were now using the modules and more existing members of staff were using the system since raising the profile.

- *How did the salary sacrifice car scheme work?*

The Organisational Development Manager explained that the scheme was a new employee benefit that had been developed following work with Capita. Providers had been shortlisted and it was anticipated that the successful provider would be named shortly. The Organisational Development Manager explained how the scheme would work and outlined the benefits to employees and the Council.

The Finance, Governance and Resources Portfolio Holder believed it to be an exciting initiative and advised that safeguards were in place should an employee leave the Council's service.

RESOLVED: That Report CE.04/14 – Organisational Development Plan – be noted.

ROSP.14/14 REVENUE BUDGET OVERVIEW AND MONITORING REPORT – APRIL TO DECEMBER 2013

The Director of Resources submitted the Revenue Budget Overview and Monitoring Report for April to December 2013 (RD.83/13) which had been considered by the Executive at their meeting on 10 February 2014. He outlined the overall budgetary position and the monitoring and control of expenditure against budget allocations, together with the exercise of virement. He further provided an explanation of balance sheet management issues; a number of high risk budgets; external factors (including the general effect of the economic climate on the Council's income streams; fuel prices, energy costs and other inflationary issues; and the effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control); Section 106 Commuted Sums and action taken to write off bad debts. The Council's overall position would be closely monitored as the year progressed.

The Director highlighted that of the £424,796 in Business Rates write-offs, £213,196.07 were in respect of The Public Safety Charitable Trust (PSCT). The PCST engaged in taking leases on empty properties to relieve the liability on the landlords. This was known as Empty Rate avoidance. They were charged a nominal rent of £1.00. Such action was deemed illegal by the High Court resulting in the significant write off. Nationally 150 Councils wrote off £15.3million.

The Director reported on a number of key issues together with their budgetary implications, including the corporate Salary Turnover Savings Budget; the Savings Strategy (which would focus on three areas to deliver savings, including the Asset Review, Service Delivery Models and, as part of the transformation programme, a review of those services that were neither core priorities nor statutory requirements). Details of the main variances in the Directorates' budgets were also set out in the report.

Members' attention was, in particular, drawn to the fact that additional savings were required in order to bring reserves up to minimum levels, and the requirement for 2014/15 had been identified on a non-recurring basis from the first call on 2013/14 underspends, first call on any business rate growth in 2013/14 and first call on the 2014/15 allocation of New Homes Bonus and the Executive had been asked to recommend to Council the funding of the £1m non-recurring savings as detailed at Section 4.3 of the report.

The Director advised that the main area of concern was around car parking although there had been a slight improvement since the second quarter of the year.

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

- *Income from car parking had always been an issue. Would the County Council intention to introduce on-street parking help the City Council income? The County Council would be a major competitor for parking in the City.*

The Director stated that it would have a positive impact in the medium term but the initiative was being phased in by the County Council and was subject to detailed consultation.

- *How reliant was the Council on money from the transformation programme? The issues raised in the report reflect the general decline of City Centres.*

The Director advised that the Council could only mitigate for any changes and carry out risk assessments where necessary.

The Finance, Governance and Resources Portfolio Holder stated that recovery and growth was slow but the Council would do all it could to mitigate the issues.

RESOLVED: 1) That Report RD.83/13 – Revenue Budget Overview and Monitoring Report: April to December 2013 – be noted.

ROSP.15/14 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT – APRIL TO DECEMBER 2013

The Director of Resources submitted report RD.82/13, which had been considered by the Executive at their meeting on 10 February 2014, and provided an overview of the budgetary position of the City Council's capital programme for the period April to December 2013. He outlined for Members the overall budget position of the various Directorates and the financing of the 2013/14 Capital Programme, details of which were set out in the report.

The Director stated that a review of the 2013/14 capital programme had been undertaken to identify accurate project profiles. To date, £785,000 had been identified as needing profiled into future years. £710,000 of those had been put forward to Council for approval as part of the 2014/15 budget process and the Executive was asked to recommend to Council a further £75,000 to be carried forward in relation to Public Realm Improvement Works.

He further commented upon performance against the 2013/14 programme, informing Members that the Senior Management Team would provide a strategic overview and monitor the effectiveness of the overall programme of work in delivering the Council's priorities and objectives. Technical project support and quality assurance of business cases and associated project management activities would be managed by a Corporate Programme Board chaired by the Chief Executive. Decisions to proceed or otherwise with proposed projects would be made in the usual way in accordance with the Council's decision making framework.

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

RESOLVED: 1) That Report RD.82/13 – Capital Budget Overview and Monitoring Report: April to December 2013 – be noted.

(The meeting ended at 11.20am)

Certification report 2012/13 for Carlisle City Council

Year ended 31 March 2013

February 2014

Jackie Bellard

Director

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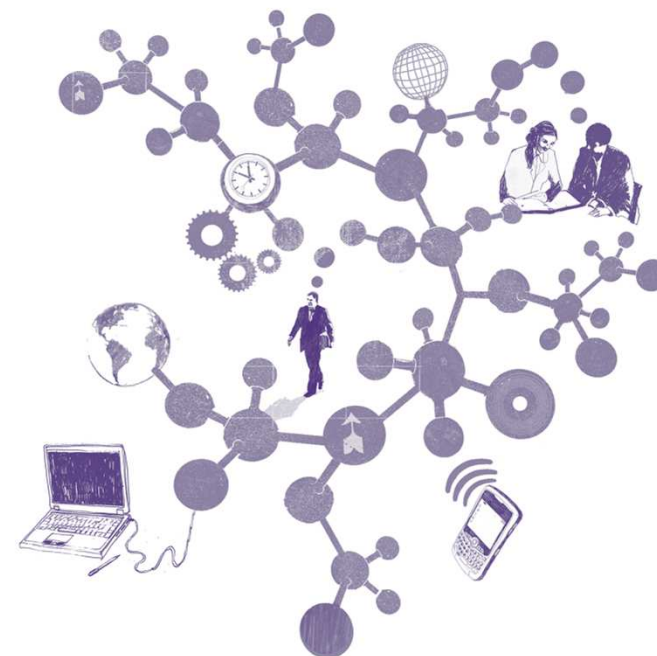
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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by Carlisle City Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified 2 claims and returns for the financial year 2012/13 relating to expenditure of £77.4million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in July 2013.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Both claims were submitted on time to Grant Thornton and both were certified within the required deadlines.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	No amendments or qualification letter was required for the National Non Domestic Rates Return this year. This is in line with the performance in 2011/12. A significant number of errors were identified during detailed testing of the Housing Benefit and Council Tax Benefit claim. These errors resulted in amendments to the claim and a qualification letter. This represents a significant deterioration in performance when compared with 2011/12.	●
Supporting working papers	Supporting working papers for both claims were good, which enabled certification within the deadline.	●

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B. We have made recommendations to address issues relating to:

- improving data input into assessments for income to ensure the correct amount of benefit is awarded to claimants
- ensuring overpayment errors are correctly classified according to type, i.e., eligible error or LA error
- ensuring that expenditure relating to modified scheme is valid.

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

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

Grant Thornton UK LLP
February 2014

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified 2 claims and returns for the financial year 2012/13 relating to expenditure of £77.4million.

Details of the certification of all claims and returns are included at Appendix A.

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of the Housing Benefit and Council Tax Benefit claim.

Certifying the Housing Benefit and Council Tax Benefit claim involved us testing an initial sample of 60 individual cases for 2012/13 taken from across the four headline cells. Where errors are identified in the initial sample another sample of up to 40 cases must be tested for the error identified. Errors in the initial sample of cases meant we needed to undertake additional testing in three areas.

We issued a qualification letter on the Housing Benefit and Council Tax Benefit claim to the Department for Works and Pensions (DWP) because of errors in the initial sample and to report the outcome of additional testing of individual cases. Additional testing related to Non HRA Rent Rebates, Rent Allowances and Modified Schemes. In addition to the qualification letter we made some amendments to the claim.

The errors identified related to:

- 4 cases in respect of Non- HRA rent rebates where the assessors had incorrectly classified the overpayments as eligible (claimant) error when the overpayment had actually arisen because of the Council's own errors or administrative delay.

- 13 cases in respect of Rent Allowances where the assessors had miscalculated claimant's weekly earnings. This resulted in:
 - 5 cases where benefit was overpaid
 - 5 cases where benefit was underpaid
 - 3 cases where the error had no impact on the level of benefit paid
- Testing of modified schemes (tested all 38 cases in the population) identified 15 cases where there were errors of which:
 - 14 cases related to assessors inputting income incorrectly into the assessment resulting in a misclassification of expenditure between modified scheme and headline cell and expenditure cell
 - 1 case where the assessor had incorrectly classified the overpayments as eligible (claimant) error when the overpayment had actually arisen because of the Council's own errors or administrative delay.

This represents a significant deterioration in performance compared with 2011/12 where only one error was identified in the detailed testing.

Recommendations for improvement are included in the action plan at Appendix B

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £22,150. This is set out in more detail in Appendix C.

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value of claim submitted for audit (£)	Amended?	Amendment (£)	Value of claim certified (£)	Qualified?	Comments
Housing Benefit and Council Tax Benefit Claim	38,635,615	Yes	-167	38,635,448	Yes	Significant number of errors in 2012/13 resulting in additional 40+ testing. Errors also identified on modified scheme. Significant deterioration in performance when compared to the results of the testing completed on the 2011/12 claim.
National Non-Domestic Rates Return	38,751,539	No	N/A	38,751,539	No	No issues. Reliance placed on control environment in place in 2012/13 allowing us to reduce the level testing required to comply with the Audit Commission's Certification Instruction.
TOTAL	77,387,154			77,386,987		

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Improve the accuracy of the work of benefit assessors to minimise the under or overpayment of benefit. This should include the provision of training and additional support as necessary.	High	The effectiveness of the training providers will be reviewed, and roles and responsibilities clarified within the RBS service to facilitate improvements in the accuracy of benefit assessors.	April – September 2014 Shared Service Partnership Manager / Benefits Manager
2	Ensure adequate training is provided to benefit assessors so that they are able to correctly classify overpayment according to the applicable error type, for example eligible error or LA error.	High	The effectiveness of the training providers will be reviewed, and roles and responsibilities clarified within the RBS service to facilitate improvements in the accuracy of benefit assessors. Specialised training will also be provided.	April – September 2014 Shared Service Partnership Manager / Benefits Manager
3	Review all modified schemes to confirm that expenditure to be included in the 2013/14 claim is correctly classified as modified schemes.	High	100% accuracy checks are being undertaken, on a phased approach, in 2013/14.	March 2014 Performance Manager

Appendix C: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£) **	2012/13 actual fee (£)	Variance (£)	Explanation for significant variances
Housing Benefit and Council Tax Benefit claim	16,470	21,350	21,350	0	No variance to indicative fee as the work undertaken in 2012/13 was comparable to that undertaken in 2010/11, on which the indicative fee was based. The 2012/13 fees is an increase of £4,480 against the 2011/12 fee. This is a result of the significant additional work / testing that was required because of the number of errors identified in 2012/13 when compared to 2011/12.
National non-domestic rates return	3,636	800	800	0	No variance to indicative fee as the work undertaken in 2012/13 was comparable to that undertaken in 2010/11, on which the indicative fee was based. The 2012/13 fees is a decrease of £2,836 against the 2011/12 fee. This is due to the fact that in 2011/12 detailed testing had to be done on the claim to comply with Audit Commission requirements of full testing once every three year. In 2012/13 reliance was placed on the Council's control environment allowing us to reduce the level testing required.
Total	20,106	22,150	22,150	0	

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.

** 2012/13 indicative fee was set by the Audit Commission based on 2010/11 actual certification fees for the Council less the 40% reduction.



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The Audit Plan for Carlisle City Council

Year ended 31 March 2014

March 2014

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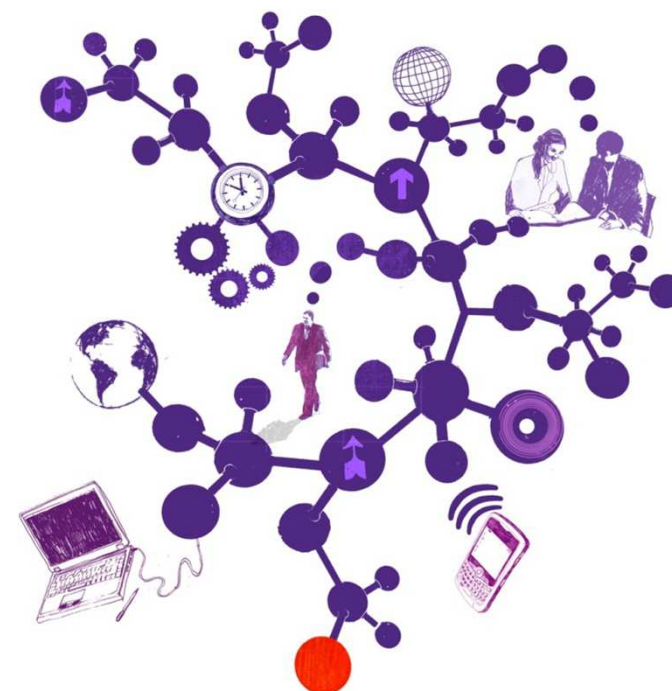
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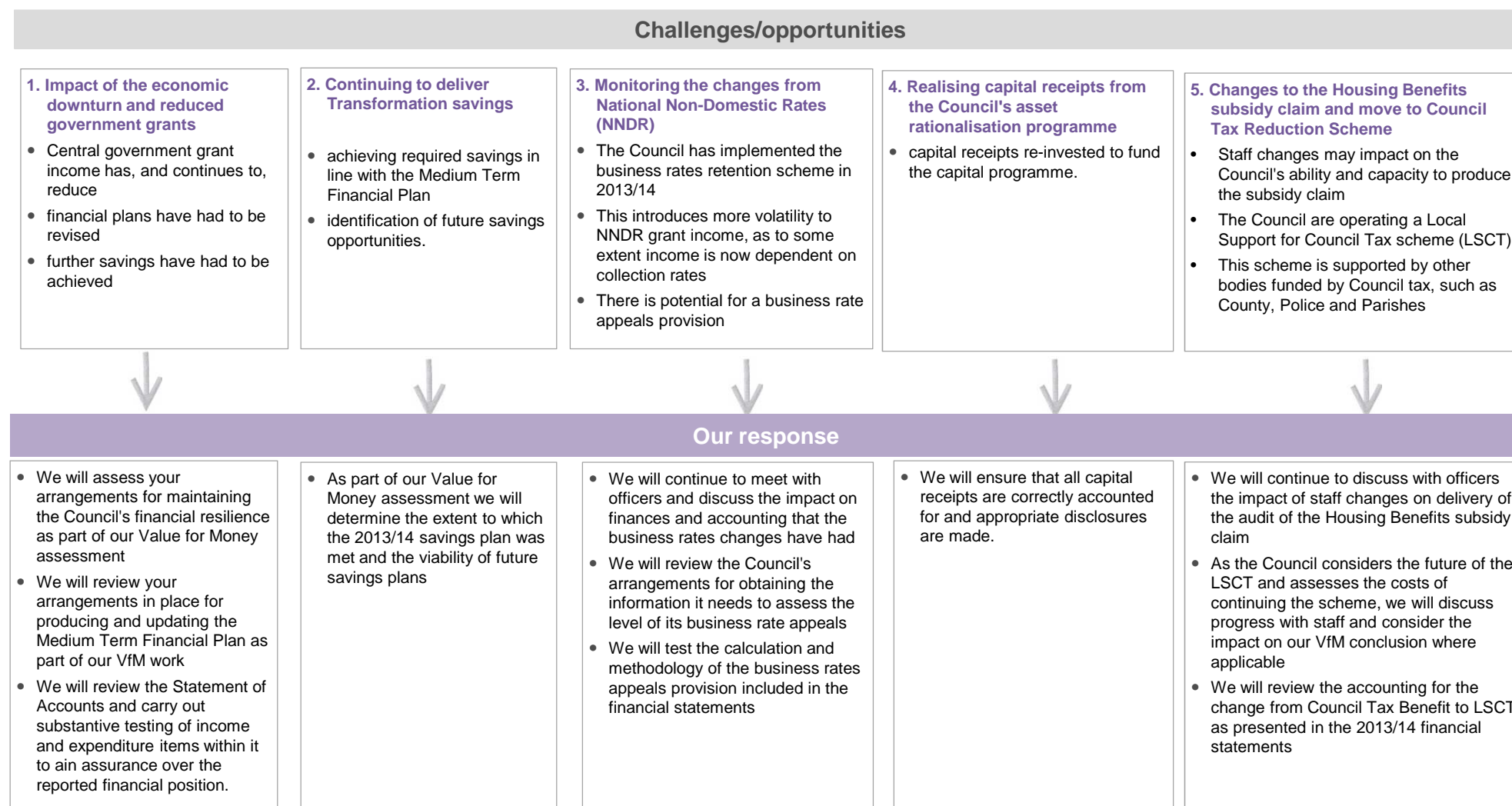
The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible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

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Understanding your Council

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



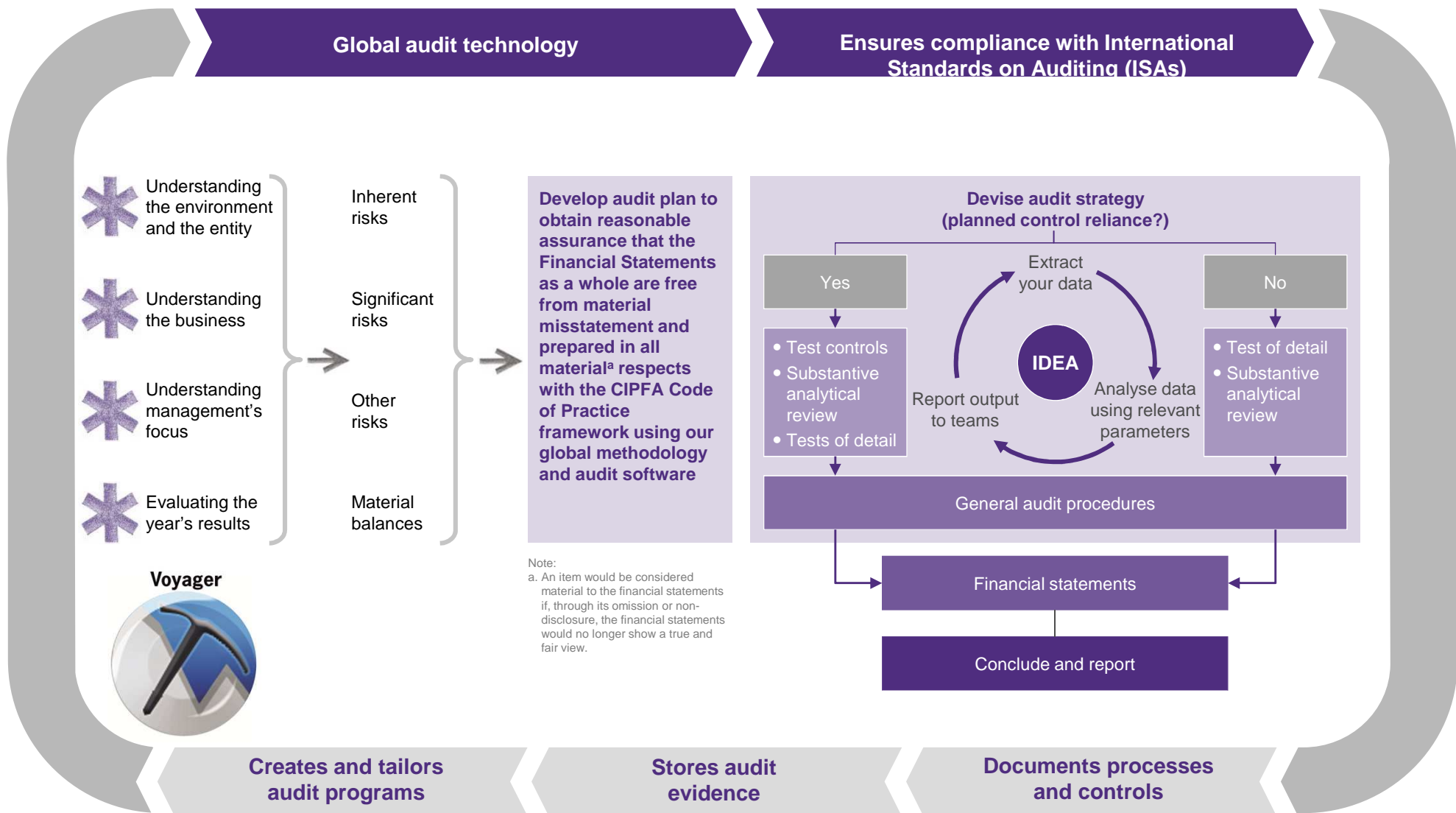
Developments relevant to the Council business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
1. Financial reporting <ul style="list-style-type: none"> Changes to the CIPFA Code of Practice Clarification of Code requirements around PPE valuations may have a significant impact on councils Changes to NDR accounting and provisions for business rate appeals 	2. Legislation <ul style="list-style-type: none"> Local Government Finance settlement Welfare reform Act 2012 	3. Corporate governance <ul style="list-style-type: none"> Annual Governance Statement (AGS) Explanatory foreword 	4. Pensions <ul style="list-style-type: none"> The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) New pension accounting requirements are in force for the first time in 2013/14 	5. Financial Pressures <ul style="list-style-type: none"> Managing service provision with less resource Progress against savings plans 	6. Other requirements <ul style="list-style-type: none"> The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion The Council completes grant claims and returns on which audit certification is required

Our response					
<p>We will ensure that</p> <ul style="list-style-type: none"> the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing We will review the Council's approach to PPE valuations and their assessment of carrying values of assets 	<ul style="list-style-type: none"> We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate We will consider the impact on our audit from the changes in the Welfare Reform Act. 	<ul style="list-style-type: none"> We will review the arrangements the Council has in place for the production of the AGS We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management We will review the new accounting disclosures for pensions against the requirements of the CIPFA Code. 	<ul style="list-style-type: none"> We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> We will carry out work on the WGA pack in accordance with requirements We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work completed to date: <ul style="list-style-type: none">• Updating our understanding of revenue recognition policies Further work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Work completed to date: <ul style="list-style-type: none">• Updating our understanding of accounting estimates, judgments and decisions made by management Further work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Documentation of processes and controls Evaluation and walkthrough of controls 	<ul style="list-style-type: none"> Sample testing of year end creditor balances. Review for unrecorded liabilities. Cut-off testing of the expenditure stream. Review of year end reconciliations.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> Documentation of processes and controls Evaluation and walkthrough of controls 	<ul style="list-style-type: none"> Review of year end reconciliations Substantive testing of payroll creditor balances Review for unrecorded liabilities.
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Documentation of processes and controls Evaluation and walkthrough of controls 	<ul style="list-style-type: none"> Performance of detailed HB COUNT testing of a sample of housing benefit payments Performance of other substantive benefits tests as directed by the Audit Commission / DWP Substantive testing of payments for Council Tax Reduction scheme
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Discussions with Chief Accountant and preliminary documentation of processes and controls 	<ul style="list-style-type: none"> Documentation of processes and controls Evaluation and walkthrough of controls Sample testing of revaluations

Value for money

Value for money

The Audit Commission Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will undertake a risk assessment to identify areas of risk to our VfM conclusion

The process that we undertake in order to give the VfM Conclusion is to:

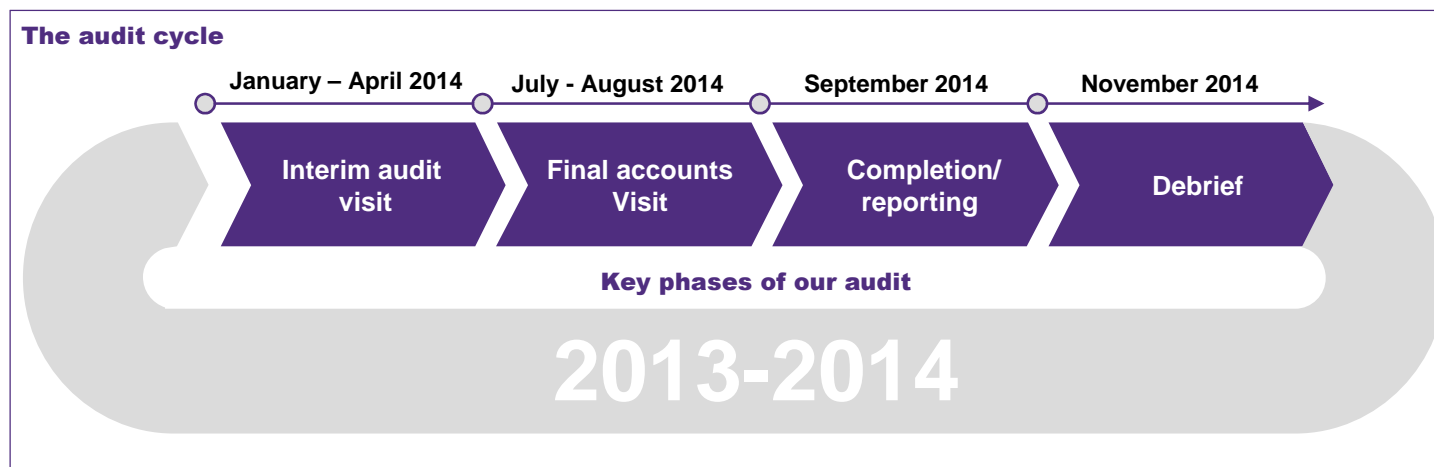
- update our knowledge using existing available information and knowledge;
- carry out a document review of key documentation from the Council's schedule of meetings;
- discuss with key officers and request further information;
- engage with those charged with governance during the year;
- produce a summarised follow up on financial resilience.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements and compliance with the new Public Sector Internal Audit Standards. Our separate report on the shared Internal Audit service identified some areas for improvement and an action plan was agreed. Our work has not identified any further issues which we wish to bring to the Council's attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>We will complete our journals testing at the final accounts visit.</p> <p>We have no issues to report at this time.</p>
Early substantive testing	<p>We have carried out early substantive testing of employee remuneration and operating expenses.</p> <p>We have been able to agree the value of expenditure to source documents in all cases.</p>	<p>We will complete our substantive testing at the final accounts visit.</p> <p>We have no issues to report at this time.</p>

Key dates



Date	Activity
On-going	Planning
January to April 2014	Interim site visit
14 April 2014	Presentation of audit plan to Audit Committee
July - August 2014	Year end fieldwork
September 2014	Audit findings clearance meeting
24 September 2014	Report audit findings to Audit Committee
By 30 September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	70,153
Grant certification	17,200
Total fees (excluding VAT)	87,353

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

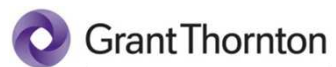
This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Audit Committee Update for Carlisle City Council

Year ended 31 March 2014

April 2014

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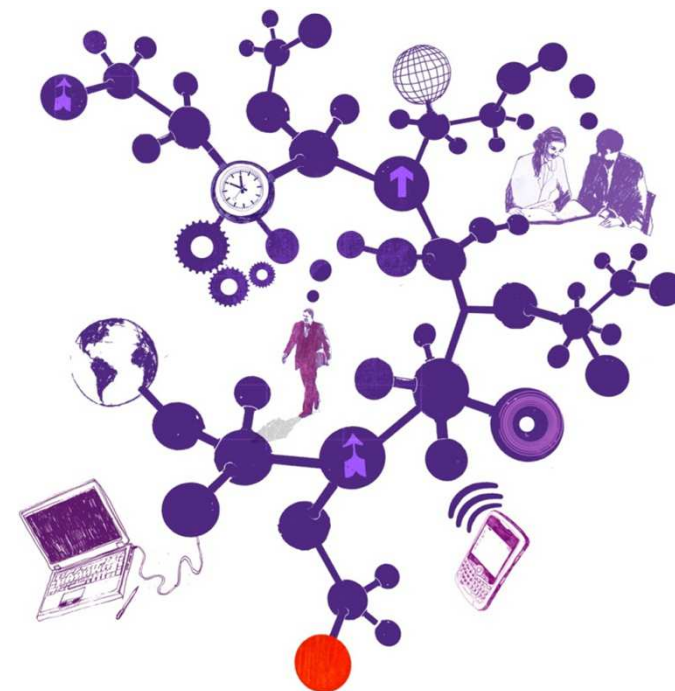
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Introduction

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 district council
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

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

- Local Government Governance Review 2014 – Working in tandem
- 2016 tipping point - Challenging the current
- Responding to the Challenge – Alternative Delivery models in local government
- Reaping the Benefits - First impressions of the impact of welfare reform

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

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Progress at 25 March 2014

Work	Planned date	Complete?	Comments
2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.	April 2014	Yes	The Audit Plan will include the results of the interim visit to date. The interim visit work is scheduled to be completed by mid April 2014. The Plan will be presented to the 14 April 2014 Audit Committee. This report provides an update on current progress, highlights emerging issues and gives the Audit Committee an understanding of the audit process at Grant Thornton.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment including Information Technology (IT) • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to April 2014	Partial	Work on the interim audit is scheduled to be completed by mid April 2014. We have discussed with Officers the key financial systems for which we need to gain an updated understanding for 2013/14. <ul style="list-style-type: none"> • We have met with senior finance staff and internal audit to assess the internal control environment. • An Information Technology risk assessment was undertaken by a Grant Thornton IT specialist. • We will complete our initial risk assessments for our Value for Money Conclusion.
2013-14 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	1 July 2014 to early September 2014	No	We will discuss with the Financial Services and HR Manager and other Senior finance staff key accounting and audit issues to assist the smooth running of the final accounts audit.

Progress at 25 March 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Securing Financial Resilience <ul style="list-style-type: none"> - Financial Governance - Financial Planning - Financial Control • Securing Economy, Efficiency and Effectiveness <ul style="list-style-type: none"> - Prioritising Resources - Improving Efficiency and Productivity • An output from this work is a 'financial resilience' report for the Council which will be a summary of: <ul style="list-style-type: none"> - the Council's comparative position in terms of key financial ratios - progress on implementing the recommendations from our 2012/13 report - identification of, and recommendations on, areas for improvement in 2013/14 	By early September 2014	No	<p>There are no significant changes in approach to the VFM conclusion work from that carried out in previous years. However, there is continued emphasis on financial resilience with a separate report produced on this for your Council. It will be reported in September alongside the ISA+ 260 Audit Findings Report.</p> <p>Our detailed VFM risk assessment will direct the work we carry out.</p>

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Joint Health and Social Care Plans to be in place by 4th April

Local government guidance

Better Care Fund

In the June 2013 Spending Round the Government announced the prospective implementation of the Better Care Fund (formerly the integration transformation fund). The key aim is to ensure a transformation in integrated health and social care through local single pooled budget arrangements. Pooled budget arrangements are formally underpinned by Section 75 of the NHS Act 2006.

Key issues

- £3.8 billion for funding will be available from 2015/16, largely through a top slice of existing Clinical Commissioning Group (CCG) budgets;
- Local Authorities with Adult Social Services, CCGs and NHS Trusts will need to collaborate through a single pooled budget arrangement to support the delivery of health and social care services in their designated local areas;
- finalised joint health and social care plans must be in place setting out how pooled budgets will be spent – draft plans must be formally signed off by each statutory Health and Well Being Board and submitted to NHS England area teams by 14 February, with a 4 April 2014 deadline for submission of finalised plans

Issues to consider:

- Has the Council considered the impact of the Better Care Fund across Cumbria and how organisations will need to work in partnership?

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

Issues to consider:

- Has your Director of Resources reviewed the proposed settlement and assessed the impact on your Council?

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities and Local Government Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider:

- Has the Council assessed the local economic impact of the measures announced by the Communities and Local Government Secretary?
- Has the Director of Resources assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider:

- Has your Director of Resources assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Issues to consider:

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Finance team completed the checklist and reported it to the Audit Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Finance team reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost. To support this we jointly hosted a 'Collaboration Cumbria and Beyond' workshop with South Lakeland District Council on 10 March 2014, to help public sector organisations in Cumbria work together to improve services at a time of reducing resources.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Issues to consider:

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Council reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Council's commissioning strategy?

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform

The potential scope of this topic is broad, so our report, <http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/> focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Issues to consider:

- Has the Revenues and Benefits Shared Services Partnership Manager kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Council carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Council have a plan in place or in development for the introduction of universal credit?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Issues to consider:

- Has the Finance team agreed the programme of valuations with the professional valuer and agreed what further work and advice will be required?
- What impact will this have on the proposals for disclosing information about classes of assets?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Issues to consider:

- Is the Council confident of obtaining the information it needs from the VOA?
- Has the Council recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has the Council provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is the Council planning to revisit its provision and contingent liability before the audit opinion is issued?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

Accounting for pensions

Accounting and audit issues

Issues to consider:

- Is the Council confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If the Council considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

Issues to consider:

- Is the Council aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the Council taking appropriate action to ensure implementation of required changes to its payroll system and processes by 1 April 2014?
- Has the Council liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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Housing Benefit Subsidy certification work plan for Carlisle City Council

Year ended 31 March 2014

March 2014

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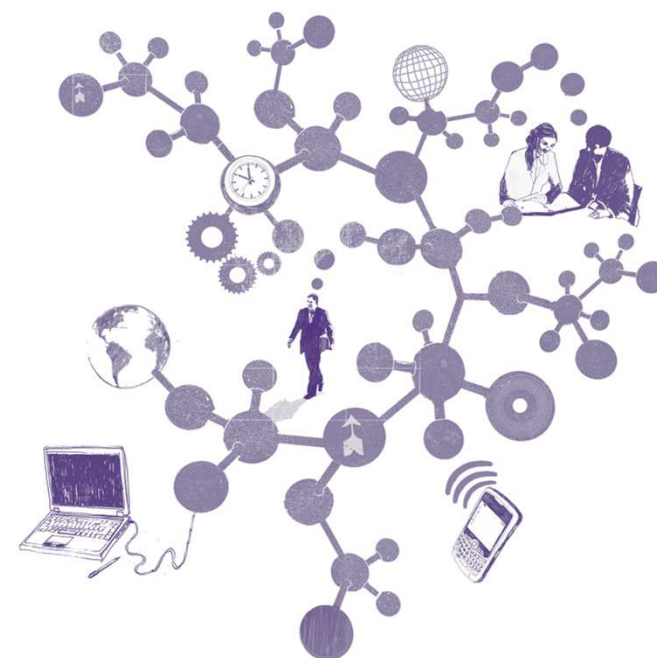
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Our approach to Housing Benefit Subsidy certification work

Introduction

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission. The only claim which requires certification at Carlisle City Council for 2013/14 is the Housing Benefit Subsidy claim.

The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Audit Commission agrees certification arrangements with the DWP and issues a certification instruction. The arrangements include the deadline for submission of each claim by authorities (30 April 2014) and the deadline for certification by auditors (30 November 2014).

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
DWP	Sets conditions of subsidy and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instruction ('BEN01') for auditor work
Council	Submits claim for certification to the Appointed Auditor within DWP submission deadlines
Appointed Auditor (Grant Thornton)	Certifies claim in accordance with Audit Commission certification instruction and within certification deadline

The Council's role is set out in more detail below:

- the Shared Service Partnership Manager – Revenues and Benefits is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to the Housing Benefit Subsidy claim
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- the DWP requires the Council's certificate to be given by an appropriate senior officer. This is typically the Director of Resources or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefits scheme
- national non-domestic rates return

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefits scheme)
- national non-domestic rates return

Our certificate

Following our work on Housing Benefit Subsidy claim, we issue our certificate. The wording of this states that the claim is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

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

Where the claim is qualified because the Council has not complied with the strict requirements set out in the DWP's terms and conditions, there is a risk that the DWP will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where the claim requires amendment or is qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on the 2011/12 actual certification fees for each council. The indicative fee for the Council is £17,200. This fee may be subject to revision by the Audit Commission as certification of council tax benefit is no longer required as part of the Housing Benefit Subsidy scheme. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

Administration

When the claim is completed, a copy of the signed claim, bearing the original signature, should be sent to Richard McGahon (Manager) at the following address:

**Grant Thornton UK LLP
C/o Cumbria County Council
Kraemer Building
The Courts
Carlisle
Cumbria
CA3 8NA**

- The **original** claim should be retained by the Council.

Managing the certification process – our role

- We intend to certify the Housing Benefit Subsidy claim in accordance with the deadlines set by the Audit Commission. If we receive the claim after the Council's submission deadline, we will endeavour to certify it within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of the certified claim will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instruction can be provided on request
- We expect to complete the certification work by 30 November 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.



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1 April 2014

Dear Jason

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £70,153, the same as the audit fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £18,790.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	17,538.25
December 2014	17,538.25
March 2015	17,538.25
June 2015	17,538.25
Grant Certification	
December 2015	18,790.00
Total	88,943.00

Outline audit timetable

We will be undertaking our audit planning and interim audit procedures between December 2014 and March 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VFM conclusion and work on the whole of government accounts return will be completed by the end of September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2014 to March 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	February to September 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	February to September 2015	Financial resilience summary report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June 2015 to February 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Jackie Bellard	0161 234 6394 / 07880 456195	Jackie.Bellard@uk.gt.com
Engagement Manager	Richard McGahon	0141 223 0889 / 07880 456156	Richard.A.McGahon@uk.gt.com
Audit Executive	Lee Illingworth	0141 223 0892	Lee.Illingworth@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance Sarah.Howard@uk.gt.com

Yours sincerely



Jackie Bellard

For Grant Thornton UK LLP

cc Peter Mason, Director of Resources, Carlisle City Council

Audit Committee

Agenda
Item:

A.7

Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

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

Report of: Chair of Audit Committee.
Report Number: RD03/14

Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during the period 15th of April 2013 to the 24th January 2014.

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:	29th April 2014

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

1 **BACKGROUND**

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

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

Conservative

Mallinson E

Nedved

Earp

Bowman C (Substitute)

Geddes (Substitute)

Parsons (Substitute)

Labour

Patrick (Chair)

Atkinson K

Atkinson P

Bowditch

Whalen (Substitute)

Boaden (Substitute)

Franklin (Substitute)

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

15th April 2013

22nd July 2013

26th September 2013

24th January 2014

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

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

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

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

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

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

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

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

2.2.1 **MEETING HELD 15TH APRIL 2013.**

- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 3rd January and 21st February 2013 were submitted for information.

- The Audit Manager (Grant Thornton) presented the Certification Work Report for 2011/12. Members were asked to note that all work reported in the report had been completed by the Audit Commission prior to Grant Thornton's appointment as the Council's auditors.
- The Audit Manager (Grant Thornton) reported that overall the Council was performing well and there were no significant matters arising from their certification of claims and returns.

The Director (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors. It was advised that there was nothing significant that would impact on their view of the accounts. There were no significant changes in approach to the Value for Money (VFM) conclusion work carried out in previous years. Greater emphasis had been placed on financial resilience and a separate report would be produced and reported in September alongside the ISA+260 Audit Findings Report.

- The Chairman presented report RD.04/13 which summarised the work undertaken by the Audit Committee during the period 16th April 2012 to 11th January 2013.
- The Audit Manager (Carlisle City) submitted report RD.06/13 providing details of the updated Strategic Audit Plan and the proposed Audit Plan for 2013/14.
- The Audit Manager (Carlisle City) submitted report RD.05/13 summarising the work carried out by Audit Services since the previous report to Committee on the 11th January 2013 and detailing progress made on delivery of the approved Audit Plan during the fourth quarter of 2012/13. The Committee gave in depth consideration to the audits of Carlisle Leisure Limited Client Contract, Recycling, and Bring Sites.
- The Chief Accountant submitted report RD.76/12 providing the regular quarterly summary of Treasury Management transactions for the third quarter of 2012/13 including the requirements of the Prudential Code.

2.2.2 MEETING HELD 22nd JULY 2013.

- Councillor Ms Patrick was duly appointed as Chairman of the Audit Committee for 2013/14 and it was also moved and seconded that Councillor Bowditch be appointed Vice-Chairman.
- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 5th March, 4th April and 6th June 2013 were submitted for information.
- The Audit Manager (Grant Thornton) presented the Audit Plan for Carlisle City Council for the year ended the 31st March 2013. Members were informed that the Plan was based on a risk based approach to audit planning.
- The Audit Manager (Grant Thornton) presented the Audit fee letter for 2013/14. The scale fee for 2012/13 had been set by the Audit Commission at £70,153, i.e. the same as the audit fee for 2012/13 and the grant certification fee had been set at £17,200.
- The Audit Manager (Grant Thornton) presented their Grant Certification Work Plan for 2012/13.
- The Financial Services Manager submitted report RD.22/13 providing the City Council's Annual Governance Statement for 2012/13. There was only one area of significant weakness in the Councils Governance arrangements which needed to be brought to the attention of Members, details of which were included in the statement.
- The Chief Accountant presented in some detail report RD.23/13 enclosing the Council's Statement of Accounts 2012/13 which had been certified by the S.151 Officer in accordance with statutory requirements;by 30th June 2013.
- The Chief Accountant submitted the Annual Report on Treasury Management (RD.13/13). Members were informed that the report was required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1st January 2013 – 31st March 2013 was also submitted.
- The Chief Accountant submitted report RD.08/13 concerning Treasury Management Counterparties.

- The Audit Manager (Carlisle City) submitted report RD.26/13 summarising the work carried out by Internal Audit since the previous report to Committee on 15th April 2013 and detailing progress made on delivery of the approved Audit Plan during the first quarter of 2013/14.
- The Audit Manager (Carlisle City) submitted report RD.25/13 summarising the work carried out by the Internal Audit Shared Service for the year 2012/13 together with the annual audit opinion on the adequacy of the control environment for that period. Also provided was information on the effectiveness of Internal Audit in the format agreed by the Audit Committee on 23rd January 2007.
- The Audit Manager (Carlisle City) submitted report RD.27/13 concerning the outcome of an internal investigation undertaken in 2012/13.

2.2.3 MEETING HELD ON 26TH SEPTEMBER 2013.

- The Minutes of the meeting of the Resources Overview and Scrutiny Panel held on the 18th July and 29th of August 2013 were submitted for information. The Chairman acknowledged the improvement to the Councils sickness levels.
- The Manager (Grant Thornton) reported that Grant Thornton's work supporting their Value for Money (VFM) conclusion as part of the statutory external audit included a review to determine whether the City Council had proper arrangements in place for securing financial resilience.
- The Director (Grant Thornton) presented a report highlighting the key matters arising from the audit of the Council's financial statements for the year ended 31st March 2013. The report was also used to present their audit findings to management and the Audit Committee in accordance with the requirements of International Standard on Auditing 260 (ISA).
- The Chief Accountant submitted report RD.43/12 attaching a Letter of Representation for 2012/13.
- The Chief Accountant submitted report RD.44/13 concerning the Council's Statement of Accounts 2012/13. Copies of the Accounts, which had been

subject to a three month audit process, (commencing July 2013 and with a statutory completion date of 30 September 2013) had been circulated.

- The Financial Services and HR Manager submitted report RD.45/13 updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework. The Annual Governance Statement for 2012/13 had highlighted one area of weakness (related to contract monitoring) in the Council's governance arrangements together with the progress made against that area.
- The Audit Manager submitted report RD.42/13 summarising the work carried out by Internal Audit since the previous report to Committee on 22nd of July 2013 and detailing progress made on delivery of the approved Audit Plan.
- The Chief Accountant submitted report RD.30/13 providing the regular quarterly summary of Treasury Management transactions for the first quarter of 2013/14, including the requirements of the Prudential Code.
- The Director of Governance presented report SD.05/13 providing an update on the Council's risk management arrangements. Details of the background and risk management and control environment were provided.

2.2.4 MEETING HELD ON 24TH JANUARY 2014.

- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on the 10th of October and 28th of November 2013 and 6th January 2014 were submitted for information.
- The Director (Grant Thornton) presented, for information, the Annual Audit Letter for the City Council, the purpose of which was to summarise the key findings from the work carried out for the year ended the 31st March 2013, namely auditing the 2012/13 Accounts and Whole of Government Accounts submission; assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and certification of grant claims and returns.
- The Audit Manager (Grant Thornton) presented a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors. Also included was a summary of emerging national issues and developments

of relevance to the authority; together with a number of challenge questions in respect of those emerging issues.

- The Chief Accountant submitted report RD.72/13 providing information on the 2013/14 Final Accounts process.
- The Financial Services and HR Manager submitted report RD.73/13 providing Members with proposed changes to the authority's Financial Procedure Rules in respect of the retention of documents.
- Pursuant to Minute AUC.52/13 the Financial Services and HR Manager submitted report RD.74/13 updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.
- The Audit Manager (Carlisle City) submitted report RD.79/13 summarising the work carried out by Internal Audit and detailing progress made on delivery of the approved 2013/14 Audit Plan.
- The Chief Accountant submitted report RD.63/13 setting out the Council's Treasury Management Strategy Statement for 2014/15 in accordance with the CIPFA Code of Practice on Treasury Management..
- The Chief Accountant submitted report RD.55/13 providing the regular quarterly report on Treasury Transactions, together with an interim report on Treasury Management as required under the Financial Procedure Rules. The report also discussed the City Council's Treasury Management estimates for 2014/15 with projections to 2018/19, and set out information regarding the requirements of the Prudential Code on local authority capital finance.
- The Group Audit Manager (Cumbria Shared Internal Audit Services) reported (RD.81/13) that Cumbria County Council had commissioned a review of the Internal Audit Shared Service in spring 2013. That was to assist the incoming Group Audit Manager in developing the audit service in line with the Public Sector Internal Audit Standards (PSIAS). Those standards became mandatory for all UK public sector internal audit services from 1st April 2013.
- The Group Audit Manager (Cumbria Shared Internal Audit Services) submitted report RD.80/13 presenting a draft Internal Audit Charter setting out the

arrangements for the delivery of the internal Audit Services to Carlisle City Council.

3 CONSULTATION

None

4 **CONCLUSION AND REASONS FOR RECOMMENDATION.**

- 4.1 The existence of the Audit Committee and its work programme enable the Council to demonstrate that it is following the recommended best practice in respect of the CIPFA Practical Guidance for Audit Committees in Local Authorities. The Committee has strengthened the Council's internal control process through its ability to ensure that systems and controls are robust, that challenges are raised as appropriate, and that adequate follow-up procedures are in operation in relation to Audit recommendations. This has been noted and commented on by the External Auditor's Audit Manager.
- 4.2 **It is recommended that the Audit Committee note and accept this report.**

5 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES.

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

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

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

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

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – The Audit Committee's Terms of Reference require that the Chair present an Annual Report to Council. This Report is part of that process.

Local Environment – not applicable

Resources – not applicable

Appendix A

AUDIT COMMITTEE

RULES OF GOVERNANCE

1. STATEMENT OF PURPOSE

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

2. TERMS OF REFERENCE

2.1 Audit Activity

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

To consider summaries of specific internal audit reports as requested.

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

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

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

To consider specific reports as agreed with the external auditor.

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

To liaise with the Audit Commission over the appointment of the Council's external auditor.

To commission work from internal and external audit.

2.2 Regulatory Framework

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

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

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

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

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

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

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

2.3 Accounts

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

3. ACCOUNTABILITY

- 3.1 The Audit Committee will be a stand alone Committee of the Council. All Audit Committee members will act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.
- 3.2 The Chairman of the Audit Committee will be appointed by the Committee. The Chairman and the Committee will ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny Panels and Regulatory Committees or the full Council.
- 3.3 The Chairman of the Audit Committee will present an Annual Report on the work of the Audit Committee to the full Council.

4. AUTHORITY AND ACCESS

- 4.1 The Audit Committee has a right to request relevant information from appropriate or relevant Members and Officers of the Council.
- 4.2 The Audit Committee will not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny Panels and other Regulatory Committees.
- 4.3 The Audit Committee will have access to in-house financial, legal and any other professional advice necessary to carry out its functions.
- 4.4 The Chairman of the Audit Committee and the external and internal auditor will meet as necessary and the Council’s Audit Services Manager will provide necessary services and support and assistance to the Audit Committee.

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

5. MEMBERSHIP

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

6. ATTENDANCE

- 6.1 The Audit Committee shall meet on a regular basis as provided for in paragraph 7 below. Officers and others may attend all or part of the meeting at the invitation of the Committee. Attendees will usually include:

- The Leader or Deputy Leader
- The Portfolio Holder for Finance
- Town Clerk and Chief Executive
- Director of Resources (Section 151 Finance Officer)
- Director of Governance (Monitoring Officer)
- Audit Services Manager
- Other Directors and Managers, as required

- 6.2 Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Audit Committee will at least annually meet :

- (i) in private, with the external and internal auditors together; and/or
- (ii) in private, with the external auditor.

7. MEETINGS

- 7.1 The Audit Committee will meet at least four times a year in accordance with the schedule of meetings agreed by the Council. The External Auditor or the Audit Services Manager may

request a meeting if they consider it necessary and other special meetings may be called in accordance with the Council's Procedure Rules.

- 7.2 The members of the Audit Committee will commit to receiving appropriate training and development necessary to fulfil their roles.

8. QUORUM

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

9. WORK PROFILE OF THE AUDIT COMMITTEE

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

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

9.2 External Audit and Inspection Agencies

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

- To review the external auditor's independence and objectivity and annually appraise the Executive on the effectiveness and value for money of the external audit service.

9.3 Corporate Governance Framework

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

9.4 Internal Audit

To review and make recommendations to the Executive regarding :

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

9.5 Other

To consider and make recommendations to the Executive on:

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

Audit Committee

Agenda
Item:

A.8

Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public

Title: Internal Audit Plan 2014-15
Report of: Director of Resources
Report Number: RD02/14

Purpose / Summary:

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

Recommendations:

Members are requested to:

- Receive this report and approve the 2014/15 Audit Plan which is attached as Appendix A.

Tracking

Audit Committee	14 th April 2014
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1.0 BACKGROUND

- 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 Internal Audit is required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk based audit plan. Also, the Accounts and Audit Regulations require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control; proper practices are now defined within the PSIAS.
- 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 The Draft Audit Plan attached at **Appendix A** has been prepared in line with updated planning methodology. Through consultation with the Council’s senior management, and consideration to the Council’s Corporate Risk Register and Annual Governance Statement Action Plan, the Plan has identified the areas where it is considered that Internal Audit can add the greatest value.
- 1.5 Other sources of assurance were also a factor for consideration, to avoid duplication and ensure the best use of Internal Audit resources and the agreed actions from the recent Grant Thornton review of Internal Audit have also been incorporated into the planning process, particularly around:
 - The rationale for inclusion in the Plan is now explained.
 - A reduction in the proportion of the Plan allocated to routine testing of the main financial systems in favour of a three year rolling programme of financial system reviews.
 - An increase in the proportion of the Plan allocated to risk-based internal audit reviews designed to provide assurance over arrangements for governance, risk management and internal control.

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 Internal Audit at Carlisle City Council is delivered through a Shared Internal Audit Service. Cumbria County Council is the host authority for the Shared Service with other participants being Copeland Borough Council, the Office of the Police and Crime Commissioner and Cumbria Constabulary. The Shared Internal Audit Service is governed by a Shared Services Operations Board comprising the Section 151 Officers

of each participating authority and a Shared Services Agreement is in place which has been signed up to by each organisation.

- 2.3 Internal Audit plans for each participating authority are prepared in consultation with the respective organisations' senior management and approved by their Audit Committees. Benefits of a Shared Internal Audit service include sharing of information on risks and good practice across the participating authorities as well as flexibility to respond to emerging issues and risks. Economies of scale are also beginning to be generated as some cross organisational audit reviews are being undertaken.

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; and
 - 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 The Director of Resources has agreed that Carlisle City will continue to receive 540 direct days of Internal Audit time in 2014/15. This is a sufficient number of audit days in which 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.
- 4.2 The PSIAS also reflect the requirement for internal audit plans to be flexible in order 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. However, should this contingency be exhausted during the year, the approved Plan may need to be revised. In this event, revisions would be considered and agreed by the Director of Resources 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 **Departmental 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** – following the Grant Thornton review of Internal Audit, a revised approach is now being taken to the reviews of the Council's main financial systems. A three-year programme has been devised which will ensure that each main financial system is reviewed in depth at least once every three years. The programme is attached at Appendix B.
- 5.4 **Governance System Reviews** – a provision is included for cyclical reviews of key governance systems. These are performance management, risk management and compliance with local code of corporate governance.
- 5.5 **Computer Audit** – the Plan includes provision for computer audit work which will provide assurance over the technical controls in place for key IT systems and processes.
- 5.6 **Follow Up of Previous Audit Recommendations** – a provision for follow up work is included in the Plan to ensure that any significant agreed actions from previous internal audit reports have been fully implemented.
- 5.7 **Advice, Guidance and contingency** – capacity has been built into the Plan for formal advice and guidance to all services across the Council as well as contingency to respond to emerging risks. Contingency time also makes provision for a small amount of audit reviews that are in progress at the year-end
- 5.8 **Counter Fraud** – the Plan includes a provision for counter fraud work including the National Fraud Initiative (NFI). Capacity is also built into the Plan for reactive work should irregularities occur requiring Internal Audit to advise management on their investigations.
- 5.9 A summary of the number of days allocated to each category of audit work is shown below.

	2014/15	
Category	Days	% of total days
Risk-based audit reviews	325	60
Main financial systems	60	11

Governance systems	20	4
Computer audit	20	4
Follow up of previous audits	20	4
NFI/counter fraud work	15	3
Audit Committees	15	3
Overhead (audit planning and management time)	35	6
Contingency	30	5
2014/15 agreed days	540	100

5.10 Key changes from the 2013-14 Audit Plan are:

- An increase in the percentage of the Plan devoted to risk based audit reviews which is a reflection of the requirement of the Public Sector Internal Audit Standards for Internal Audit to provide assurance on the Council's arrangements for governance, risk and internal control.
- A reduction in the proportion of the Plan to be spent on main financial system reviews in line with the revised approach following the Grant Thornton review of Internal Audit and the PSIAS.
- A reduction in work carried forward from the previous year's plan. Where work is underway at the year-end, this will be completed early in 2014/15 and provision is built into the Plan for this. However, where work has not commenced at the year-end, the area will be risk-assessed as part of the planning for 2014/15 and areas will not automatically be carried forward. This is to ensure that audit resources are targeted at the areas considered to be of most relevance in 2014/15.

6.0 PERFORMANCE STANDARDS

- 6.1 Performance measures are currently being developed in consultation with the Shared Services Operations Board and will be reported to the Audit Committee alongside the first progress report for the 2014/15 Audit Plan. Regular liaison meetings with the S151 Officer will continue to be held to discuss ongoing issues.

7.0 CONSULTATION

- 7.1 Members of the Senior Management Team (SMT) have individually considered their respective areas of the Audit Plan and SMT as a collective considered the Draft Audit Plan at its meeting on Tuesday 18th March.

8.0 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 8.1 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.

9.0 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 9.1 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: Gill Martin **Ext:** 7294
Audit Manager
(Cumbria Shared Internal Audit Service)

Appendices attached to report: **Appendix A – 2014/15 Draft Audit Plan**
Appendix B - 3 Year Cyclical Reviews of Financial and
Other Key Governance Systems

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

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

APPENDIX A

CARLISLE CITY COUNCIL – DRAFT INTERNAL AUDIT PLAN 2014/15

Department	Review	Description	Reason for inclusion & links to corporate priorities	Days
Corporate	Delivery of Savings Targets	A review to provide assurance that the Council has effective arrangements in place to deliver key savings proposals and to ensure continued operation of governance and internal control arrangements following service transformations.	Delivery of savings is a significant challenge for the Council and reduced resources will inevitably lead to changes in risk, governance and internal controls. <i>This review will support the effective delivery of all council priorities.</i>	25
Corporate	Fees and Charges	A review to consider the Council's local charging policy and how it supports the Council's strategic and financial objectives. It will examine how charges are set and monitored and compliance with legal requirements. There is also the potential to benchmark income levels with other comparable authorities.	Fees and charges is a key area of control and accountability to support sound financial management and major income streams are relied upon. <i>This review will support the effective delivery of all council priorities.</i>	25

Corporate	Counter Fraud Arrangements	<p>The Council has a zero tolerate approach to fraud and has in place a number of measures to deter and detect fraudulent practice. It investigates all suspected cases of fraud and irregularity</p> <p>This is a review to provide assurance that appropriate arrangements and controls are in place to mitigate the risks of inadequate arrangements to countering, investigating and reporting fraud.</p>	<p>There are a number of policies and procedures in place to help counter fraud. Training in this area is also key measure to raising awareness and identifying potential fraudulent activity.</p> <p><i>This review will support the effective delivery of all council priorities.</i></p>	20
Corporate	Customer Services 'Digital by Default'	<p>Effective and efficient Customer Services is fundamental to the operations of the Council and there is a drive to get key council services on line and provide streamlined and efficient self-serve options to customers.</p> <p>This review will look to provide assurance that the appropriate controls are in place to mitigate the risks associated with Customer Services self-service and integration with back office systems.</p>	<p>This audit will support ICT developments within Customer Services and will consider the relevant service strategies in place.</p> <p>It will also formally follow up on the 2013-14 audit recommendations concerning the functioning of the CRM system and its integration with back office systems.</p> <p><i>This review will support the effective delivery of all council priorities.</i></p>	25

Chief Executive's Team	Workforce Development and Training	A review to provide assurance that appropriate controls are in place to mitigate the risks associated with the corporate arrangements in place over workforce planning and staff development.	<p>This audit follows on from the 2013-14 audit review concerning the arrangements in place over devolved development and training arrangements.</p> <p><i>We will work together with partners to develop a skilled and prosperous workforce, fit for the future.</i></p>	20
Deputy Chief Executive's Team	Tullie House	A review to provide assurance that appropriate controls are in place to mitigate the risks associated with this management agreement and the adequacy of the arrangements in place over the safeguarding associated assets.	<p>The Tullie House Trust manages the service and related museum assets on behalf of the Council and there is a legal agreement in place which defines this arrangement and the responsibilities of the associated parties.</p> <p><i>We will develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle; and we will work more efficiently through partnerships to achieve the City Council's priorities.</i></p>	20

Deputy Chief Executive's Team	Sports Development	A review to provide assurance that appropriate controls are in place to mitigate the risks associated with strategic planning and service delivery arrangements concerning sports and leisure facilities.	<p>Sports Development is a core function and the Council has many partners with which it works with to deliver its Sports Strategy and to manage its leisure facilities.</p> <p><i>We will develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle; and we will work more efficiently through partnerships to achieve the City Council's priorities.</i></p>	15
Economic Development	Property Portfolio	A review to provide assurance that appropriate controls are in place to mitigate the risks associated with its strategic asset management arrangements.	<p>The Council has a wide and diverse property portfolio and has a key role to play in supporting the local economy.</p> <p><i>We will support the growth of more, high quality and sustainable, business and employment opportunities.</i></p>	20

Economic Development	Housing - Private Sector Landlords	A review to provide assurance that appropriate controls are in place to mitigate the risks associated with the management of private sector tenancies.	<p>The use of private sector landlords plays a key role in achieving the Council's strategic housing priorities.</p> <p><i>We will address Carlisle's current and future housing needs; and we will support the growth of more high quality and sustainable business and employment opportunities.</i></p>	15
Economic Development	Resource Centre	A review to provide assurance that appropriate controls are in place to mitigate the risks associated with this contractual arrangement in place and the management and use of the facility.	<p>The Resource Centre is a key community resource which is managed by the YMCA. It also directly supports strategic aims concerning supporting vulnerable people.</p> <p><i>We will support the growth of more high quality and sustainable business and employment opportunities.</i></p>	15

Governance	Land and Property Lettings	A review to provide assurance that this key function has the appropriate internal controls in place to mitigate known risks in service delivery.	<p>The Council has a wide and diverse property portfolio; this review links to the review of the strategic management of the Property Portfolio.</p> <p><i>We will support the growth of more high quality and sustainable business and employment opportunities.</i></p>	20
Local Environment	Street Cleaning	A review to provide assurance that this key service has appropriate internal controls in place to mitigate known risks in service delivery.	<p>This review supports the 'clean up Carlisle' programme and the efficiencies achieved through the revised street cleaning programme and the use of up to date plant and equipment.</p> <p>It also considers the corporate 'love where you live' campaign which focuses on promoting environmental awareness and education.</p> <p><i>Together we will make Carlisle clean and tidy</i></p>	20

Local Environment	Recycling	<p>Recycling is a core service operation, different aspects of which are delivered in-house and by external contractors.</p> <p>This will be a review to provide assurance that this key service has appropriate internal controls in place to mitigate known risks in service delivery.</p>	<p>Recycling is a key part of the <i>'love where you live'</i> campaign which focuses on promoting environmental awareness and education.</p> <p>This review will consider new and revised service delivery arrangements and associated performance. It will also formally follow up the audit recommendations relating to previous concerns raised in respect of effective and efficient contract management arrangements.</p> <p><i>Together we will make Carlisle clean and tidy.</i></p>	20
Local Environment	Bereavement Services	<p>A review to provide assurance that this key service has appropriate internal controls in place to mitigate known risks in service delivery.</p>	<p>There have been recent changes to the general management and administrative arrangements. Management seek assurance that these changes comply with expected financial procedures.</p> <p><i>Together we will make Carlisle clean and tidy.</i></p>	15

Resources	Procurement	A review to provide assurance that this key function has appropriate internal controls in place to mitigate known risks associated with its strategic procurement planning and management arrangements.	<p>There have been some key changes in the management and delivery of the procurement function over the last 12 months.</p> <p>Also, effective collaboration with other neighbouring authorities and other consortiums are key strategic measures to help ensure effective management and value for money achievements.</p> <p><i>As a corporate function, this reviews support the effective delivery of all council priorities.</i></p>	15
Resources	Job Evaluation	A review to provide assurance that the arrangements and controls in place are sufficient to mitigate known risks associated with continuing need for Job Evaluation.	<p>This is a management priority for audit review predominantly due to changing workforce and the impact this has on roles and responsibilities.</p> <p><i>We will work together with partners to develop a skilled and prosperous workforce, fit for the future.</i></p>	15

Resources	Use of Casuals, Interim and Agency Workers	A review to provide assurance that adequate arrangements are in place to deliver value for money where external staffing resources are used.	Management priority for audit review due to reducing size of the substantive workforce and the reliance which is placed on alternative staffing arrangements. <i>This is a cross cutting review which supports the effective delivery of all council priorities.</i>	20
Main Financial System Reviews	Three year rolling programme of financial system reviews	Eleven main financial systems have been identified and 3 of these will be reviewed in 2014-15 and 4 in 2015-16 and 2016-17. <i>See detail at Appendix B</i>	Need for regular review of material financial systems. <i>These reviews support the effective delivery of all council priorities.</i>	60
Key governance systems reviews	Three year rolling programme of governance system reviews	Three main governance systems identified and 1 of these will be reviewed each year. <i>See detail at Appendix B</i>	These systems are fundamental to good governance within the Council and support the effective delivery of all council priorities. <i>These reviews support the effective delivery of all council priorities.</i>	20
Computer audit	Either specific IT reviews or IT input to	Specialist IT audit input will be delivered through the Internal Audit Shared	IT aspects are integral parts of a number of systems and	20

	overall reviews.	Service. The area(s) for review will be agreed with the S151 and the head of service with a view to mitigating known ICT delivery risks.	strategies at Carlisle City and specialist input is required.	
Follow up	Follow ups as required	Provision to follow up implementation of audit recommendations arising from the 2013/14 Audit Plan and support in maintaining records of progress in implementation.	Internal Audit follow ups are a key requirement of the Public Sector Internal Audit Standards to provide assurance on the implementation of agreed audit recommendations	20
Corporate	Counter fraud support	An allocation of time for co-ordination of the submission of information and review of data matches under the NFI exercise. Also, provision is allocated within the Plan for Internal Audit to support management in investigating matters arising under the Confidential Reporting Policy or the Counter-Fraud and Corruption Policy.	Mandatory requirement of the Audit Commission.	15
Governance	Audit Committee	Provision for compilation of Committee reports, attendance at Committees and training for Committee as appropriate.	Internal Audit requirement to report independently to those charged with governance.	15
Corporate	Audit management, planning and reporting	Provision for management, planning and reporting; this includes ad-hoc management advice and support relating to risk, internal control and governance and attendance at Corporate Risk Management Group, SMT (when	Effective engagement with management enhances Internal Audit service.	35

		required) and other applicable groups and forums as appropriate.		
Corporate	Contingency	A contingency is included in the Plan for any unplanned work, commissioned VfM reviews or hot assurance requests. An element of time is also included for 2013-14 work in progress.	Some flexibility is required in the Plan.	30

APPENDIX B

THREE YEAR CYCLICAL REVIEWS OF FINANCIAL AND OTHER KEY GOVERNANCE SYSTEMS

2014/15		2015/16		2016/17	
Review	Days	Review	Days	Review	Days
Payroll	20	Main accounting system & Budgetary Control	20	Treasury Management	15
Debtors	20	Fixed Assets	20	Income Management	20
		Creditors	20	Car Parking Income	20
Housing Benefits	20	Council Tax	20	NNDR	20
Corporate Governance – compliance with Local Code	20	Performance Management	20	Risk Management	20
Total planned days	80		100		95

Audit Committee

Agenda
Item:

A.9

Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public

Title: Internal Audit Progress Report 2013-14 (No. 4)
Report of: Director of Resources
Report Number: RD01/14

Purpose / Summary:

This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved 2013-14 Audit Plan.

Recommendations:

Members are requested to:

- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
- Note the position on the follow up of previous audit recommendations as outlined in section 3.
- Receive the completed audit reports referred to in section 4.

Tracking

Audit Committee	14 th April 2014
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 **BACKGROUND**

- 1.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly.
- 1.2 Internal Audit examine, appraise and report on the effectiveness of financial and other risk, governance and internal controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.
- 1.3 This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan during the fourth quarter period of 2013/14.

2 **AUDIT PERFORMANCE AGAINST THE 2013/14 AUDIT PLAN**

- 2.1 The 2013/14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15th April 2013 – report RD 06/13 refers.
- 2.2 To assist Members in monitoring the progress made against the agreed annual plan, **Appendix A** illustrates the current position of the Plan up to 21 March 2014. The position can be summarised as follows:

	Total Planned Days	Actual Days
Risk Based audits	202	199
Value for Money	20	0
Main Financial Systems	148	131
ICT audit	25	8
Fraud	25	15
Other	70	67
<i>Direct audit days</i>	<i>490</i>	<i>420</i>
Audit Management allocation	50	48
<u>Total Audit Days</u>	<u>540</u>	<u>468</u>

- 2.3. The Plan calls for 540 audit days – 468 days (87%) have been delivered. Time has been spent on the following areas:
- There are 3 audit reviews which have been finalised since the last report to Committee. These final reports are considered within section 4 of this report.

- There are 5 reports at draft stage; all audit fieldwork and testing has been completed and the draft reports have either been issued or are about to be issued. Further discussions with management will be required in the early part of 2014/15 in order to finalise these audit reports.
- There is 1 risk based review and 5 material audit reviews which are ongoing; these are all near completion and draft reports will be issued in early part of 2014/15 quarter 1.
- There are 2 other ongoing pieces of audit work – Recycling and E Forms – from which the work carried out to date will be carried forward to support the delivery the 2014/15 Plan.
- All the recommended data matches raised by the National Fraud Initiative (NFI) have now been examined and this work is now concluded. A summary report on the findings of the exercise has been prepared and this will be reported as part of the specific year end reporting on counter fraud arrangements.

2.4. Members are asked to note the progress made against the agreed Audit Plan.

3. FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

- 3.1. A report on the position of all follow ups of previous audit recommendations monitored via Covalent is attached as **Appendix B**. Attention is drawn to the colour coding used to highlight the progressive action taken against each audit recommendation.
- 3.2. In summary, a total of 89 recommendations have been monitored since April 2012. In this reporting period there are 9 where sufficient action has been reported and these recommendations are now closed. There are 22 'open' recommendations; 16 of which are 'in progress' and 6 where insufficient information has been provided to determine whether or not appropriate action has been taken to date. For those recommendations which have not had an adequate response, further enquiries with managers continue to be made.
- 3.3. Members are asked to note the position on the follow up of previous audit recommendations.

4. REVIEW OF COMPLETED AUDIT WORK

- 4.1. There are 3 audit reports to be considered by Members at this time. Guidance on the grading of audit recommendations, the audit follow up procedure and audit assurance ratings is attached as **Appendix C**.
- 4.2. The Management Summary and a copy of the Summary of Recommendations / Action Plan for each completed audit review listed below have been provided within **Appendices D-F**.

<u>Audit of:</u>	<u>Assurance Evaluation</u>	<u>Appendix</u>
Procurement	Reasonable	D
Organisational Development (Devolved Development and Training)	Reasonable	E
Customer Services	Partial	F

5. CONSULTATION

Not applicable

6. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 6.1. Good progress has been made in delivering the Audit Plan with the priority in quarter 4 being on completing the remaining material system reviews and the formal follow up audits of previous audits which were given lower level assurance.
- 6.2. The recommendations made in this report will enable Members to track the progress made on the delivery of the 2013/14 Audit Plan and gain assurance on the independent audit work undertaken in the period.

7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 7.1. 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: **Gill Martin** **Ext: 7294**
 Audit Manager
 (Cumbria Shared Internal Audit Service)

Appendices A-G attached to report:	Appendix A – 2013/14 Audit Plan Monitoring Update
	Appendix B – Follow Up of Previous Recommendations
	Appendix C – Grading of Audit Recommendations and Assurance Evaluations
	Appendix D – Audit of Procurement
	Appendix E – Audit of Organisational Development – Devolved Development and Training
	Appendix F – Audit of Customer Services

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

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

AUDIT PLAN 2013/14

Directorate	Audit Area	Audit Days Allocated	Status	Assurance Evaluation	Audit Committee Date
<u>Risk Based Reviews</u>					
Community Engagement	Revenues Recovery (inc. Housing Benefit Overpayments)	25	Completed	Reasonable	24-Jan-14
Community Engagement	Customer Contact Centre	12	Completed	Partial	14-Apr-14
Community Engagement	Leisure Services Contract	10	In progress		
Community Engagement / Economic Development	Projects and Partnerships - Stewardship arrangements	20			
Governance	Electoral Payments	10	Completed	Substantial	24-Jan-14
Local Environment	Carlisle Cycle Way	10	Completed	Reasonable	26-Sep-13
Local Environment	Recycling Contracts	15	In progress		
Local Environment	'Clean up Carlisle' - Street Cleaning (education & enforcement)	15			
Resources	Procurement - Tendering and Contracting	30	Completed	Reasonable	14-Apr-14
Resources	External Funding - Compliance and Monitoring Arrangements	15	Completed	Substantial	24-Jan-14
Corporate	Records Management Arrangements	15	Completed	Partial	24-Jan-14
Corporate	Performance Management - Service Standards	10	Completed	Reasonable	24-Jan-14
Corporate	Organisational Development - Devolved Development and Training	15	Completed	Reasonable	14-Apr-14
		202			
<u>Value for Money and Efficiency Reviews</u>					
Corporate	Charging and Trading - income generation	20			
		20			
<u>Main Financial System Reviews</u>					
Community Engagement	Council Tax	12	In progress		
Community Engagement	Housing and Council Tax Benefits	20	Draft Issued		
Community Engagement	National Non Domestic Rates	12	Draft Issued		
Resources	Main Accounting System	20	Draft for review		
Resources	Fixed Assets	15	Completed	Substantial	26-Sep-13
Resources	Creditors	10	Draft for review		
Resources	Debtors	10	In progress		
Resources	Payroll	12	In progress		
Resources	Treasury Management	10	In progress		
Resources	Income Management	12	In progress		
Local Environment	Car Parking Income	15	Draft Issued		
		148			

ICT Reviews

Resources - ICT Connect	Project Management	10	
Resources - ICT Connect	IT Developments - use of electronic forms	15	In progress
		25	
<u>Fraud</u>			
Corporate	National Fraud Initiative	15	Completed
Corporate	Counter Fraud Arrangements / Awareness	10	Ongoing
		25	
<u>Other Audit Work</u>			
Follow Up of Previous Recommendations		30	Ongoing
Contingency		40	Ongoing
		70	
<u>Audit Management</u>			
Advice, Meetings, Committee, Planning & Reporting		50	Ongoing
Total Audit Days 2013-14		540	

Summary of Audit Recommendations - Monitoring Report (April 2012 to April 2014)

RED - Overdue
Amber - In progress
Green - Actioned

	Current Position 1 April 2014	Previous Position Jan-2014
Overall total number of recommendations	89	42
Total number of open actions - other	6	13
Total number of open actions - in progress	16	6
Total number of closed actions	67	23

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed action	Responsible Officer	Action completed by	Progress Update as at 1st April 2014	Revised Action complete by date
19/12/2012	Tullie House - Management of Assets	Resources	R1 - Financial Services must liaise with Tullie House management to a) implement a valuation process that is robust & will maintain the requirements of the Collection Loan Agreement & this should be reflected in the Collections database b) Ensure that the insurance valuation of the Collection is brought up to date.	B	To be considered as part of the Insurance Tender renewal process that will hopefully see a new Fine Arts policy added to the insurance schedule. As part of this revised valuations will be undertaken, either formal valuations or desk top exercise.	Financial Services Manager, Chief Accountant	01/05/2013	The Fine Arts policy for the Tullie House collections formed part of the 2013/14 Insurance tender and was effective from 1st May 2013. External valuers have been appointed to revalue the TH collections to reflect any revised valuations in 2013/14 accounts. These will also be used to inform the 2014/15 Insurance premium renewal.	30/04/2014

04/09/2012	Data Quality	Chief Executives Team	R6 All partners should be required to sign a 'data quality statement' to ensure that they comply with the same quality standards as the Authority. This requirement should be incorporated into both the revised Data Quality Policy and the Partnership Protocols in detail.	B	Partners will sign a data quality statement and this requirement will be incorporated into the Data Quality Policy and strengthened within the Partnership Protocols.	Policy & Communications Manager / Development & Support Manager	31/03/2013	Management response updated 01/04/14. Signatures will be gathered during quarter 1 2014/15 data collection.	01/06/2014
04/09/2012	Data Quality	Chief Executives Team	R7 The risks associated with the availability of Authority data should be considered carefully and suitable mitigating actions applied to each. These should then be included within the relevant risk register(s) where appropriate.	B	Consider forming a data quality risk register or incorporating risks into existing registers.	Policy & Communications Manager	31/01/2013	Management response updated 01/04/14. Risk registers will be reviewed in quarter 1 and any appropriate data quality risks will be added.	01/06/2014

04/09/2012	Data Quality	Chief Executives Team	R10 The data quality checking measures should be centrally monitored via the completion of assurance statements from a senior officer, that declares that they are satisfied that the data quality is of the highest level achievable and also take ownership for data quality in accordance with the policy.	B	Assurance statements will be produced by a senior officer (TBC) stating their satisfaction with data quality.	Policy & Communications Manager	31/01/2013	Management response updated 01/04/14. This will be incorporated into 2013/14 end of year sign off service standards; including data quality, actual data and method statements.	31/05/2014
30/08/2012	Development Control/Management	Economic Development	R2 Applications from City Council employees should be formally recorded in Acolaid under a specific reference for statistical and transparency purposes.	C	New City Council Employee field to be set up in Acolaid and employees recorded	Planning Manager/LLPG -Accolaid Development Officer/Technical Officer(s)	01/10/2012	*Management Response Overdue	
25/03/2013	Systems Administration	ICT	R3 - MASS system administration support should be widened in line with the legislation of the new in-house database.	C	MASS is being phased out and replaced by new internal property database (PAD) which is being developed at the	Property Manager	30/04/2013	*Management Response Overdue	

					moment.				
25/03/2013	Systems Administration	ICT	R7 - The Customer Services Manager should contact ictCONNECT to identify the possibility of strengthening and prompting users to regularly change their passwords.	C	A changes request for the system has been put into the software supplier to strengthen the password provision. This is not possible currently.	Customer Services Manager	31/03/2014	Response updated 31/03/14. Management still to follow up.	31/05/2014
25/03/2013	Systems Administration	ICT	R8 System administrators should liaise with ict CONNECT with regards to developing system application logs for all corporate systems to ensure that all failed password attempts are logged correctly and highlighted to the System Administrators.	C	All corporate systems will be investigated a suitable system will be implemented to record failed password attempts where applicable. Reports will then be distributed to system administrators.	Applications & Information Manager	01/04/2014	*Management Response Overdue	

25/03/2013	Systems Administration	ICT	<p>R13 Key improvements to the use and contents of the corporate leavers form are required:</p> <p>(a) The corporate leavers form required updating to incorporate all corporate systems and the system administrator contact for each.</p> <p>(b) The corporate leavers form should be utilised by all. Information held on the form regarding individuals IT access should be disseminated by Service Support (Personnel) to the appropriate system administrators without delay.</p> <p>System administrators should ensure that staff are removed / suspended from all applicable corporate systems.</p>	B	An electronic intelligent form will be investigated and designed for use by relevant officers who would have the ability to inform system administrators in order that they can remove users from corporate systems.	Applications & Information Manager	01/04/2014	*Management Response Overdue	
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09/01/2014	Records Management	Chief Executives Team	<p>R2 - A project group should be set up to ensure there is a defined and systematic approach to the implementation of a proper records management system within the Council.</p> <p>The project group should give consideration to the following improvements regarding the retention schedules to provide a full trail, including:</p> <ul style="list-style-type: none"> - Details of preparer and date prepared; and, - Details of reviewer and date reviewed <p>The project group should give appropriate regard to related risk exposure as part of its remit and within the set up arrangements and</p>	B	<p>A Records Management Project has been scored and a business case will be brought to the Corporate Programme Board on 9th January 2014. Following on from the above a Project Board/Lead will be appointed. The project brief will include the recommendation requirement to include full audit trail relating to the retention schedules as recommended. The risks associated with the new Records Management Project will be captured and managed within the Project Risk Register.</p>	Policy & Communications Manager	Feb-14	<p>Management Response received 01/04/14. Project was approved by the Corporate Programme Board. A project plan is being developed to capture the issues covered in the recommendation. The first stage of the project will be reviewed July 2014.</p>	01/07/2014
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			administration of the records data management system implementation of the records management process.						
09/01/2014	Records Management	Chief Executives Team	R3 - Guidance notes and procedures detailing responsibilities, requirements and expectations should be prepared, accessible and communicated to relevant officers; and provision of training, assistance and advice in records management should be available to officers who have responsibilities in operational administration within this area.	B	The Corporate Information Officer and Policy & Communications Manager have completed a 'Records Management' 1 day training course. This will be utilised in preparing the guidance notes and procedures and communicated through the Project Team. This will be included in the project plan deliverables. Training and ongoing professional development will be dealt with in the draft Project Plan. Advice is available on request, the first batch of retention schedules have been	Policy & Communications Manager	Feb-14	Management Response received 01/04/14. Guidance and procedures will be dealt with in stage 1 of the Records Management Project.	01/07/2014

					developed under the guidance of the Corporate Information Officer. This will be included in the project plan deliverables.				
09/01/2014	Records Management	Chief Executives Team	R4 - The Constitution should provide clearer direction on the Council's arrangements in place for the retention of records.	B	Coverage on the retention of records within the Constitution (Appendix F - Financial Procedure Rules) will be revisited. General reference to the corporate arrangements for retention of records will remain within the Constitution. Specific guidance on record types and the statutory/recommended retention periods will now be maintained elsewhere, as it is at this level where the project team will establish the detailed guidance required in order to meet the requirements of the Records Management Policy.	Financial Services Manager & Policy Team	Mar-14	Management Response Received 26.3.14. The retention document contained in the FPR's was amended to reflect the requirements of other contracts, partnerships, agreements and other grant related certification claims. This was formally approved by Council on 4th March 2014. Further work may be required by the Project Team once the Records Management Policy has been finalised.	Ongoing.

09/01/2014	Records Management	Chief Executives Team	R5 - A log should be kept to show when information has been destroyed.	B	A 'Disposal Log' will be developed as part of the suite of templates.	Corporate Information Officer	Jan-14	Management response Received 01/04/14. Templates for staff are being developed as part of the Records Management Policy. The policy has just finished staff consultation, including a draft disposal log template. Guidance on how to use the templates will also be produced.	31/07/2014
06/06/2013	IT Service Desk	ICT	R1 The current lack of formally documented procedures needs to be addressed in order to support the implementation of ITIL governance and possible application for ISO2000 accreditation. This should be addressed at two levels:	B	Full documentation to be created supported by business process maps to address recommendation.	Lead ICT Officer	31/03/2014	Response updated 31/03/14. Management still to follow up.	31/03/2014
06/06/2013	IT Service Desk	ICT	R2 The SLA should track to the Information Technology Infrastructure Library specifications.	B	Create an SLA for the service desk function.	Lead ICT Officer	31/03/2014	*Management Response Overdue	

06/06/2013	IT Service Desk	ICT	R5 The service should sign off and implement a formally documented change management process.	B	Formal changes management to be implemented.	Lead ICT Officer	31/03/2014	*Management Response Overdue	
03/01/2014 - Reasonable	Revenues Recovery	Resources	R1 - Management should set a realistic timescale to complete and agree the recovery alignment processes across the shared service so that the approach to recovery is consistent across the districts and maximise the potential for recovery. Once this process is complete, a unified procedure manual should be developed and circulated throughout the relevant staff in the shared service.	B	Agreed	Revenues Manager	31/03/2014	Management response received 26th March 2014. A new fully aligned Service Level Agreement with the Bailiffs for Council Tax and NNDR recovery has now been written and is in the process of being agreed. Implementation expected 6th April 2014 to align with updated regulations (Taking Control of Goods Regulations). This will be available to all recovery staff and brings together best practice in dealing with bailiff administration.	06/04/2014

03/01/2014 - Reasonable	Revenues Recovery	Resources	R2 - The HBOP procedure manual requires updating to show that there is now only 14 days between invoice and first reminder stage. If it is also decided after the trail period that the additional letter also be adopted as common practice then this procedure must also be incorporated into the manual.	C	Agreed	Benefits Manager	31/03/2014	Management response received 26/03/14. Due to staff availability, this matter will be addressed during April 2014.	30/04/2014
03/01/2014 - Reasonable	Revenues Recovery	Resources	R6 - Management should remind officers of the importance of ensuring that overpayment notifications with the classification 'other' should be manually adjusted to reflect the reason for the overpayment.	C	Agreed	Benefits Manager	30/01/2014	Management response received 26/03/14. Due to staff availability, this matter will be addressed during April 2014.	30/04/2014

21/10/2013	Performance Service Standards	Chief Executives Office	R3 The technical notes should be reviewed and updated for various. The technical note should be approved by the department manager assigned responsible for it. The "assignee" responsible for collating the source data should input the service standards results on Covalent.	B	New technical notes are being written to include measures, data etc. These notes will be signed off by the Service Manager and Director.	Policy & Communications Manager	30/11/2013	Management response received 01/04/14. Some technical notes have been produced and are awaiting Director sign off. Changes to the way users access Covalent from April 2014 will be incorporated into the final note.	01/06/2014
21/10/2013	Performance Service Standards	Chief Executives Office	R4 The service standards data on Covalent should be independently validated prior to reporting to the Policy Team and evidence should be documented.	C	Guidance on Data Quality will be given to 'assignees' and officer providing validation. Validation will be recorded prior to submission.	Policy & Communications Manager	30/11/2013	Management response received 01/04/14. Assignees and validation officers will be made aware of the revised Data Quality Policy once the implications of the changes to Covalent (as mentioned in R4) are fully understood and necessary revised processes implemented.	01/06/2014

21/10/2013	Performance Service Standards	Chief Executives Team	R5 Performance Service Standard results should be formally signed off by a responsible manager or Director prior to reporting and publishing.	C	Process map will be updated to reflect the mail 'signing off'.	Policy & Communications Manager	06/11/2013	Management response received 01/04/14. Process map will be updated to reflect the outcome of R4. Sign off manager to be listed in R3.	01/06/2014
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Summary of Audit Recommendations - Monitoring Report - Closed Actions since last Audit Committee

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed Action	Responsible Officer	Action completed by	Action taken	Action completed date
04/09/2012	Data Quality	Chief Executives Team	R15 A designated trained officer should be given ultimate responsibility for managing records retention and providing guidance within the Authority.	B	A designated officer will be given responsibility for managing records and providing guidance.	Policy & Communications Manager	31/03/2013	Responsibility lies with Policy & Communications Manager. Changes are being made to role within the team to help deliver on all these recommendations.	31/03/2013
25/03/2013	Systems Administration	ICT	R2 - A weeding process in line with the Authority data retention and data protection policies should be undertaken for aged records in Local Environment from 2003 onwards.	B	Systems & Development Officer to set in place data retention policy in line with legislation and to co-ordinate the weeding process.	Systems & Development Officer	30/09/2013	Management Response received 05/02/14. A draft corporate policy now exists and retention guidelines are now being considered along with FLARE functionality.	05/02/2014

25/03/2013	Systems Administration	ICT	R5 Defined roles and responsibilities should be identified for staff with regards to the processing and parameter changes within the Flare system. Staff with data processing and system administration duties should be issued with separate passwords.	B	A defined structure of Users, Super Users and Administrators to be put in place by the Systems & Development Officer in consultation with Local Environment Service Managers. Separate password to be issued to the Technical Clerks.	Systems & Development Officer	30/09/2013	Management Response received 05/02/14. Separate user passwords for Technical Officers / defined user structure are being addressed alongside System Admin duties and responsibilities.	05/02/2014
25/03/2013	Systems Administration	ICT	R10 Staff should be requested to sign a declaration form before using each system regarding proper system use and control of data. This should be retained for reference and aid data protection purposes.	B	Agreed. Retention period should be established and the use of e-forms.	Corporate Information Officer	31/03/2013	Call logged with DIS helpdesk to add data protection/confidentiality text to login screen on all computers is now complete. Staff have to read / accept to a Data Protection and Confidentiality Statement at log in before the user can access Council systems.	31/03/2014

25/03/2013	Systems Administration	ICT	R12 The Zeus system should be updated to end all leavers from the authority upon receipt of the leavers form.	C	Currently Service Support (Personnel & Payroll) informs the flexi administrator of leavers on a monthly basis. Look at the possibility of including the flexi administrator in the Trent Leaver Workflow.	Service Support Team Leader	30/09/2013	Leavers are noted on Zeus but have to be left on the system in order to produce retrospective reports. The Flexi Administrator will be included in the workflow for starters and leavers once the Council moves onto its new payroll/HR system in April 2014.	01/04/2014
25/03/2013	Systems Administration	ICT	R14 Numerous issued were highlighted from the FLARE Extended Systems Development visit which need addressed.	C	Systems & Development Officer to investigate and coordinate actions.	Systems & Development Officer	30/09/2013	Management Response received 05/02/14 - highlighted FLARE issues are being addressed alongside system functionality developments.	05/02/2014
03/01/2014 - Reasonable	Revenues Recovery	Resources	R4 - The shared service composite procedural notes for revenues recovery should be updated to include the provision that all trainee / new recovery staff must consult a line manager prior to making any payment arrangement.	C	Agreed	Revenues Manager	30/06/2014	Procedure notes have been updated. These now state that any new staff need to agree the setting of payment arrangements with their line manager, who then needs to check any arrangements until the new member of staff is fully trained.	04/02/2014

09/01/2014	Records Management	Chief Executives Team	R1 - The Code of Practice FOI Section 46 should be adopted by the Council in line with recommended practice. Resources should be concentrated on establishing an Authority-wide Records Management Policy. This policy should comply with the requirements of relevant legislation and also embrace recommended practice.	A	A draft Records Management Policy will be ready for consultation in January 2014.	Policy & Communications Manager	Jan-14	Consultation on the draft Records Management Policy took place between January and March with staff. The new policy provides templates for records management in line with the Code of Practice. The policy forms part of the developing framework for authority-wide records management. The Corporate Programme Board approved a project that will take the framework forward, ensuring that the policy is implemented and deals with emerging issues.	Feb-14
09/01/2014	Records Management	Chief Executives Team	R6 - Proper arrangements for the current or recent records of a local authority should involve the skilled supervision of their management by an appropriately trained member of staff who should be referred to (by post) within the Records Management Policy and within the associated job description.	B	The critical roles of: Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO's). Corporate Information Officer will be clarified within the Records Management Policy. These roles will have overall ownership for managing information risk.	Policy & Communications Manager	Jan-14	These roles are identified in the new policy.	Feb-14

Grading of Audit Recommendations and Assurance Evaluations**(1) Audit Recommendations**

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

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

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

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

(2) Audit Assurance Evaluations

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

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



CUMBRIA SHARED INTERNAL AUDIT SERVICES

INTERNAL AUDIT REPORT

**FOR:
RESOURCES DIRECTORATE**

**ON:
TENDERING & CONTRACTING PROCEDURES**

Audit Contact: Paula Norris, Senior Auditor

Draft Report Issued: 28th August 2013

Revised Draft Issued: 4th March 2014

Final Report Issued: 1st April 2014

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. This audit is a follow up of the recommendations arising from the previous audit of Tendering and Contracting which was undertaken in June 2012.
- 1.2. A number of issues were identified as part of this previous audit and the review was given a Partial assurance rating. In line with agreed audit practice, audits which have resulted in partial or limited assurance are subject to formal audit follow up procedures to ensure that all recommendations have been actioned to a satisfactory level.

2. BACKGROUND INFORMATION

- 2.1. Public procurement is the acquisition of goods, services and works by public authorities. Transactions of this nature are public undertakings which are governed by UK and EU Law. It is essential that procurement practices and procedures are well developed and adhered to alongside improvements in the public procurement system which may result in a direct benefit to the Council and the local economy as significant levels of Council expenditure is incurred in this area.
- 2.2. The tendering process for Carlisle City Council is laid down in the Constitution, with the majority of the process dictated by Procurement and Contract Law. The Procurement Team leads on such matters and works closely with the Legal Services and various contract managers. All parties are responsible for the correct application of corporate procurement guidance.
- 2.3. A Framework Agreement sets out the terms, specifically relating to price, quality and quantity; under which individual contracts and call-offs can be made, as well as providing for mini competitions for the duration of the agreement. The duration of the agreement is usually a maximum of four years. Typically framework agreements are used where particular products or services are known to be needed, but the extent of requirement or frequency is unknown.
- 2.4. Since May 2008, Carlisle City Council has established and/or arranged to buy into 48 separate frameworks; a number of which have now expired due to the 4 year restriction on the duration of a framework agreement to enable fair market opportunity and best value.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
 - Effective action has been taken to successfully implement the 13 recommendations arising from the previous audit review undertaken in June 2012 - these recommendations concern the areas of
 - The Contracts Register,
 - Tender Procedures, and
 - Evaluating and Awarding Contracts;
 - Sound arrangements are in place to create and apply framework agreements and these are actively managed to help support the Council's value for money achievements.
- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising and Appendix B – Follow Up Schedule of Previous Recommendations.

Section 1 – Management Summary

- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Tendering and Contracting and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

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

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

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

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

5. EVALUATION AND RECOMMENDATIONS ARISING

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

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Procurement General	Reasonable	-	2	-
7.1	Contract Register/Central Contract Monitoring.	Reasonable	-	2	1
7.2	Tendering Procedures	Reasonable	-	1	1
7.3	Evaluating Processes and Awarding Contracts	Substantial	-	-	-
7.4	Framework Agreements	Reasonable	-	-	3
Overall Evaluation / No. of Recommendations		Reasonable	-	5	5

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The **reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Areas of good practice noted:*
- Procurement/Legal and Contract Managing staff each have a high level of expertise in their field which would benefit even further from ensuring that they work together to achieve the maximum benefits especially on the financial monitoring side.
 - The Procurement Team offer a good, informative training and advisory service on all elements of procurement which is accessible if needed.
- 6.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix C.
- 6.4. The key issues arising from this review are:
- There remains some issues surrounding the purpose of the contracts register that require addressing. Primarily related to the financial information held within the document and how information 'flows' through from the contract managers to the central contract monitoring function within the Procurement Team. The process requires complete 'buy in' from all stakeholders therefore it is extremely important that the highlighted weaknesses are addressed.
 - The outcome of testing those recommendations surrounding electronic tendering procedures suggests that although the recommendations from the 2012/13 report were agreed in principle and work undertaken in the implementation of such is not entirely sufficient for Internal Audit to confirm as being complete therefore additional work is required.
 - The issue identified in the 2012/13 audit regarding the cancellation and reissue of a tender process appeared to be a relatively uncommon occurrence. No evidence was found to confirm that there was a continuing issue in the time between reviews, however the majority of the contracts tendered have been revenue contracts. It was highlighted however that the conditions surrounding the tendering of capital works are more specialised (called conformance specifications) and it is more likely that this is an area which would benefit from direct input in the initial tendering stages (i.e. input onto Chest).
 - There are areas surrounding both the use and the monitoring of framework agreements that the Council would benefit from improving. There needs to be a mechanism to monitor the Council's use of Framework Agreements. The benefit of using some existing frameworks should be reviewed, especially those that have not been utilised, with a view to again testing the market and evaluating whether these are indeed the best value for money and/or most practical method of procurement. This will assist in confirming that the resources concentrated in establishing in-house frameworks and maintaining host owned frameworks is of value.

7. DETAILED FINDINGS & RECOMMENDATIONS

Follow up Schedule of Previous Audit Recommendations

Tendering and Contracting – final report issued in June 2012

Rec	Identified Issue	Recommendation	Grade	Date to be implemented	Agreed Action /Auditee Comment to Address the Recommendation	Control Action Taken	Has Effective Action Been Taken to Address the Recommendation?
R1	The Contracts Register does not fully reflect all contracts awarded.	Enhancements to existing practices are needed to help ensure that the central Contracts Register accurately reflects all contracts awarded by the Council. Contract Managers / Procurement Team to discuss placing the Register on a system whereby access can be shared to enable the information to be logged accurately and timely, although the sole responsibility for its maintenance resting with the Procurement Team.	B	01/12/12	It was agreed between the Resources and Governance directorates that all contracts and agreements are best retained by the Legal Document Storage System administered by the Service Support Team until the Electronic Document Management System (EDMS) is implemented.	Discussions with the Development & Support Manager established that the EDMS project has been delayed due to system compatibility issues, problems continue to arise however attempts are being made to resolve these. Therefore the inclusion of the Contracts Register on the EDMS system has not been progressed. There has been no other remedial action taken as yet to ensure that up to date contract expenditure is reflected in the Contract Register. This will be dependant on 'way forward' is decided. Legal Services continue to retain a filing list of contracts for schemes they have been involved in, but this does not include any specific procurement or expenditure details.	No, the issue of non supply of vital contract information from Contract Managers has not been wholly resolved.

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R2	There is no financial information contained within the Contract Register.	The Contracts Register should include a final project cost against each scheme so that comparisons can be made between the bid price and the final cost.	C	01/09/12	The Contracts Register was to be expanded to include budgeted and final project costs and restricted access applied to the appropriate Finance Staff and Project/Contract Managers.	The Procurement Team expanded the Contracts Register to include the financial information that had been made available to them at the time. However, this is not operating as intended as the Procurement Officer has to pursue contract expenditure updates from Contract Managers in some areas as it is not readily offered as a matter of course.	No, whilst the format of the Contracts Register has been updated to allow the provision of financial information to be recorded, this requirement is not being provided by Contract Managers.
R3	The link between payments through the Creditors system to those assigned contracts shown on the Contracts Register was not included and	(a) The Contracts Register should show the cumulative spend to date, the variance, and also flag when the end date has been reached. This information would provide ongoing monitoring of costs incurred to the original awarded bid; highlight overspends and aid contract monitoring	D	01/12/12	The facility to provide ongoing cost data on a timely basis was to be looked at as part of the Contractorplus system replacement.	As above.	No.

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	therefore not transparent and would not allow for centralised financial monitoring of delivery to the original awarded tender, thus enhancing procurement monitoring arrangements.	arrangements. (b) The Contracts Register allocates a unique contract reference to each assigned contract and this should be quoted against relevant payments going through the creditors system to allow for identification of contractual payments from other (regular) payments to the same contractor.			Measures were to be implemented and others specified to ensure that accurate and timely information is interfaced to the General Ledger which could then be extracted for inclusion in the Contracts Register		
R4	A forum for inter-directorate working needs to be established.	A Procurement Working Group should be established to continue to oversee and manage developments in this area and to monitor progress made towards the successful implementation of the recommendations summarised in the action plan.	B	01/07/12	The Chief Executive agreed to broaden the remit of the Project and Assurance Group (PAG) to incorporate developments in Procurement and Commissioning.	The Corporate Programme Board (CPB) replaced the Project Assurance Group (PAG) during the latter end of 2012/13. The CPB consists of the Chief Executive, previous PAG membership which includes representatives from each Directorate and ICT. Individual Contract Managers will be invited as necessary. The CPB's main objectives is to co-ordinate and oversee the programme of work that is delivering the Council's vision, key, and other related objectives and will report to O&S on a quarterly basis.	Not directly, this matter is addressed in the main report.
R5	Legal and Procurement advice was not always sought	(a) The revised procedures that were developed by Legal and Procurement were to be	B	01/01/13	Revised procedures were implemented and were to be included in the 2012/13	A programme of training was undertaken during 2012/13 and supplied in the main by the Development & Support	Yes. Revised procedures were agreed and supported by training to staff. The training was well attended by

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	when arranging/entering into a contract.	developed with managers as part of the 2012 training programme.	B	01/01/13	Governance Training Programme.	Manager and an external trainer for one element of the Procurement Training.	relevant officers and the course detail was appropriate.
	(b) Any contract entered into with a value of more than £10,000 will require appropriate professional advice.				This will be incorporated into the training.	The courses offered included Procurement, Partnerships and Contract Management. Audit obtained lists of attendees and an overview of the course content. The courses were well attended and by a number of staff that are responsible for contracts.	
	Omissions to expected practice were highlighted and as such could have exposed the Council to unnecessary risk.	(c) A central point of contact should be established whereby the tendering, financial and legal process is readily available and properly coordinated.	B	01/01/13	The Procurement Unit are the recognised point of contact and this should be widely known in the Council. Directors were to ensure that a corporate approach is taken to procurement.	There is Contract Management guidance available on the Council Intranet which outlines good practice measures on how to manage contracts.	Yes, information regarding contract procurement is available on the intranet. A further enhancement to support the arrangements to ensure updates made to guidance notes are notified.
R6	Local businesses could appear to be 'pushed' out of the marketplace due to tender oversubscription.	Contract managers, in conjunction with the Development & Support Manager, were to consider each contract tender on an individual basis to evaluate a supplier audience and advertise as such. EU and UK procurement legislation were to be the first issue considered in	B	01/01/13	The Procurement Team adheres to EU and UK Public Procurement Regulations in all cases. Exceptions only occur where a Framework Agreement is available and the relevant lead officer requires a broader base or the inclusion of specific local	The Development and Support Manager reported that two pieces of legislation have superseded this recommendation; the Localism Act and the Social Value Act. The requisites of these acts will be applied when the appropriate individual contract arises.	Recommendation has been superseded by other events.

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		all cases. The achievement of a fine balance between assisting to enhance the local economy and achieving best value is paramount in each decision.			suppliers. In such instances the tender is advertised openly across all suppliers/providers		
R7	As some contracts were being procured manually, it was viewed that the Constitution did not strongly reflect the Council's approach to electronic tendering as being the preferred means of future procurement.	Although there should be an option to be able to tender manually in exceptional circumstances, it should only be made available when it is impossible to do so electronically.	B	29/06/12	The Director of Governance stated that the direction given in the Constitution enabled the Council to carry out the most appropriate method of procurement that suited the particular circumstances. The preferred method of electronic procurement is a management choice and the Constitution enables such procurement to occur in a structured and controlled manner.	It was considered that the Constitution sufficiently addresses the tender procedures available and the Council's preferred tender approach.	Yes.
R8	The documentation on the Chest system is in 'Word' format. There was a possibility that the tender documents could be altered.	Consideration was to be given to presenting all tender documentation in a 'pdf' format as opposed to 'Word'.	C	01/09/12	Matter to be included in the 2012-14 Procurement Action Plan and discussed with members of the Cumbria Procurement Collaboration.	No action as yet has been taken and the Procurement Action Plan has yet to be completed.	Partly – PDF documents is not appropriate for all tender documents. The Procurement Officer is liaising with Digital and Information Services regarding this matter.
R9	The Procurement Team was listed as the first point	When tenders are published on the 'Chest', the Procurement Team should be named as the	C	01/01/13	These matters would be included in the training of all Contract/Project Managers and will be	Preliminary work has been done in this area but full action has not been implemented to date. It should be emphasised	Partly addressed but further action is needed. This matter is addressed in the main report.

R10	<p>of contact when tenders are published. The Procurement Team does not have the technical knowledge required to assist with suppliers' queries.</p> <p>This could result in queries not being answered in the most time effective way.</p>	<p>main contact for system queries and the Contract Manager should be named as the main contact for any technical queries.</p> <p>All officers named on published advertisements should ensure that they make themselves available to answer queries when the tenders were first published.</p> <p>The Procurement Team should continue to ensure that satisfactory customer responses were monitored via the 'Chest' system to ensure that requests for information were not missed. (due to the 'offsite' nature of the duties of the Contract Manager).</p>	B	01/01/13	<p>included in the 2012-14 Procurement Action Plan when complete.</p>	<p>that it is necessary for all queries to be registered electronically on the CHEST system and overseen by the Procurement Team.</p>	
	<p>Projects were being delayed due to waiting for contracts to be finalised.</p>	<p>Legal Services should establish/review all contracts over £10,000 prior to any contract being entered into.</p> <p>Contract managers, together with Legal Services, were to establish a deadline for the finalisation of the contract documents in the initial stages of a project so that the completion of</p>			<p>Contract Managers were to contact Legal Services to implement the action. The Procurement Team was to bring this to individual contract managers' attention when advising on such matters.</p>	None	<p>No, this situation has not improved. This matter is addressed in the main report.</p>

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						these documents could be factored into each project plan.					
R11	Tender opening procedures are outdated.	The delegated powers surrounding the opening of tenders should be re-examined with any subsequent changes being made to the Contract Procedures within the Constitution.	B	01/01/13		It was suggested that each Director be given access to the Tender verification programme and the Director of Governance amend the Contract Procedure Rules accordingly.	The delegated powers to open tenders have been changed. The Mayor opens those with a value over £175,000. The Director of Resources opens those below this amount, with the Financial Services Manager as a deputy.	Partly. This matter is addressed in the main report.			
R12	Situations have arisen whereby the tender process had to be cancelled and re-advertised which caused additional work for all officers involved and could potentially cause reputational damage.	Contract Managers to confirm with the Procurement Team that the specification is correct and that the works are ready to be carried out prior to advertising any tender, in order to minimise the possibility that changes could be made to the specification in the latter stages. If there is any unforeseen circumstances whereby it is deemed necessary to change the specification, the Procurement Team should be informed of the changes and the reason thereof so that the decision to re-tender (if applicable) is taken as soon as possible to the submission date.	B	01/01/13		It was stated that in most cases that the specification was accurate at the time of publication, however in a good number of instances the urgency of the process necessitated amendment and clarification at a later date; this was predominately when suppliers sought clarification or suggested alternative processes. These suggestions and enquiries often lead the Project/Contract Manager to implement changes to the specification.	The Development & Support Manager reported that specification requirements have changed in some cases (non large scale capital spend) to put the onus of the provision of information onto the suppliers so that there is less chance of the contract specification changing due to supplier queries. These specifications are referred to as 'performance specifications'. This has gone some way to remedy the problem in the short term, however the situation may change when capital projects go out to tender as specifications will have to be more definitive. These contracts are better known as 'conformance specifications'. The Procurement Team will continue to monitor the situation.	Ongoing. The matter is addressed in the main report.			

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		This is a decision taken in agreement with both the Procurement Team and the Contract Manager.							
R13	The responses to tender advertisements can on occasion become unmanageable due to the number of applications and end up being detrimental to the contract award process.	The Building Surveying Manager and the Development & Support Manager should discuss and consider the benefits of Framework Agreements for building surveying works.	C	01/10/12	The Development & Support Manager commented that in a number of instances the response to a tender is fairly large due to the lack of work available in a number of business sectors. This was not something unique to Carlisle City Council or the County of Cumbria as a whole.	Building Facilities is currently in negotiations with Cumbria County Council regarding the option to 'tag on' to its 4 year framework agreement for Planned and Reactive Maintenance. As at the time of reporting, this was a work in progress.	Partly. The matter is addressed in the main report.		
R14	At the time of the review there was no agreed contract between the Council and the suppliers on the Training Initiative Framework.	That the contract for the Training Initiatives Framework be finalised and signed by all relevant parties without further delay.	B	01/01/13	This was agreed.	The Training Initiative framework concerned has now expired. The renewal exercise has now been completed and is currently in the process of being re-tendered as a 2 year (+1 optional) contract.	This audit recommendation has been superseded by the framework renewal.		

RESOURCES DIRECTORATE
Summary of Recommendations / Agreed Action Plan
Audit of Tendering and Contracting

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	In exceptional cases, contracts over £10,000 have been tendered for manually (as Contract Procedures allow). The details of which are not always provided to the Procurement Team within a reasonable timescale.	In circumstances where contracts require to be tendered manually, the Procurement Team and Legal Services should still be informed of the tendering process to ensure that the most cost efficient and effective tender option is followed and central procurement records are updated.	B	All staff involved in procurement activities will be reminded of their responsibilities. Procurement training was provided in March 2014 where responsibilities were explained	Financial Services & HR Manager	31 st May 2014
R2	Situations had arisen that meant that the tender process had to be cancelled and re-advertised which caused additional work. Although this issue has come somewhat to being resolved, there are still potential risks to consider when tendering for capital contracts (conformance specification required).	Contract Managers should liaise with the Procurement Team in the initial stages of arranging to tender a conformance specification in all cases.	B	See R1 above. Specification guidance notes are readily available on the intranet and training was provided in March 2014	Financial Services & HR Manager	31 st May 2014

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R3	Enhancements were required to ensure that the central Contracts Register accurately reflected all the contracts awarded. It was agreed that use of the new Electronic Document Management System (EDMS) would be a mantle on which to place this yet in hindsight the sharing of the responsibility for the maintenance of this register may cause confusion and inaccuracies unless there was total user 'buy in'. The benefits of this recommendation should be readdressed when the EDMS is operational.	To comply with the Transparency agenda, enhancements to existing practices are needed to help ensure that a central record is established that accurately reflects all contracts awarded by the Council.	B	Agreed that the EDMS is not the correct platform to be utilised. The current contracts register (access database) will require minor changes to conform to the new requirements of the DCLG's transparency agenda.	Financial Services & HR Manager	30 th June 2014
R4	The link between payments through the Creditors system to those which relate to assigned contracts shown on the Contracts Register was not included and therefore not transparent and would not allow for centralised financial monitoring of delivery to the original awarded tender, thus enhancing procurement monitoring arrangements.	The Contracts Register allocates a unique contract reference to each assigned contract and this should be quoted against relevant payments going through the e-purchasing system to allow for identification of contractual payments from other (regular) payments to the same contractor.	C	The feasibility of this recommendation will be considered during the implementation of the e-purchasing system and any enhancements to the creditors system. Financial monitoring of contracts and projects rests with the relevant manager and the Main Accounting system is the management tool to monitor spend against budget.	Financial Services & HR Manager	31st October 2014

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R5	Information regarding contract procurement is available on the intranet, however legislation often changes. Relevant users are not automatically alerted to any changes although they are made.	Officers should ensure that all legislative and procedural procurement information is accurate, current and notified to the relevant audience.	B	Agreed	Financial Services & HR Manager/Legal Services Manager	On-going
R6	The documentation on the Chest system is in 'Word' format. There was a possibility that the tender documents could be altered. After the 2011-12 review it was realised that a fully 'pdf' option was not suitable either.	The tender specification documents on the Chest system should be in a format that they cannot be adjusted. It is realised that the Contractor return forms should be in a format that are easy to complete and return electronically. The Procurement Officer should liaise with DIS to explore the option of producing a suitable 'mix' of formats for publication on the Chest system.	C	Documentation on the Chest will be reviewed however electronic tendering requires documentation to be in a format that allows electronic return and as such, requires a generic format to facilitate the easy return of information. Where documents are provided for information only, this will be provided in a non-editable pdf format.	Financial Services & HR Manager	31 st May 2014
R7	The Procurement Action Plan is out of date. The 2012-14 version was to include a number of issues highlighted in the 2011-12 audit of Tendering and Contracting and until this document is updated, they will not be resolved.	The 2012-14 Procurement Action Plan should be finalised as soon as possible.	B	Agreed – draft action plan in place	Financial Services & HR Manager	31 st May 2014
R8	The standard of each framework arrangements supporting documentation differs with each framework arrangements 'host'.	Detailed information should be retained on each host organisation framework agreements to ensure that compliance to EU and contract legislation can be assured and that	C	Supporting documentation received from host organisations will be reviewed for completeness and to ensure compliance with the Council's own Contract Procedure	Financial Services & HR Manager	30 th June 2014

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		value for money can be proven.		Rules		
R9	The use of framework agreements is not, and at present cannot be centrally monitored.	There needs to be a mechanism to monitor the Council's use of Framework Agreements. This will assist in confirming that the resources concentrated in establishing in-house frameworks and maintaining host owned frameworks is of value. Corporate 'buy-in' of frameworks and the benefits of the associated benefits and discounts are paramount in their effectiveness.	C	Use of framework agreements will continued to be reviewed and monitored to ensure compliance with the Council's own Contract Procedure Rules	Financial Services & HR Manager	30 th June 2014
R10	There are areas of supply within the Council that once identified, could be procured more efficiently.	The Procurement Team should undertake an exercise to identify the areas of supply where framework agreements could be implemented and utilised if they are the most effective method of procurement. These findings should be discussed and agreed with the relevant Directorates.	C	Agreed.	Financial Services & HR Manager	30 th June 2014



SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
CHIEF EXECUTIVE'S TEAM**

**ON:
DEVOLVED DEVELOPMENT & TRAINING**

Audit Contact: Pauline Connolly, Principal Auditor

Draft Report Issued: 14th January 2014

Final Report Issued: 31st March 2014

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Devolved Development & Training was identified for review as part of the agreed Audit Plan for 2013/14.

2. BACKGROUND INFORMATION

- 2.1. Development and Training is an integral part of Carlisle City Council's operation to delivering its priorities and key objectives detailed in the 2013/16 Carlisle Plan.
- 2.2. The Council has a central budget to deliver and procure development and corporate training and has decentralised a budget to fund professional updates and tuition at directorates. For 2013/14 the total budget devolved to directorates for professional updates and tuition is £60,700.
- 2.3. Each directorate, with assistance and support from the Organisational Development team, is responsible for identifying their teams' development and training needs, delivering and procuring the training required.
- 2.4. The Council has a Member Training budget to fund their learning and development training. In 2013/14 the total budget for Member training is £14,300. This consists of £7,800 in "devolved" budgets to the Groups based on the number of members in each Group and a Member Learning Development Plan budget of £6,500. The 'devolved' budgets include one for the Executive of £3,200 (for Standing Conferences) and £4,600 divided between each of the 4 political parties; Conservative, Labour, Liberal Democrats and Independents.
- 2.5. Organisational Development Manager, supported by a team of staff, is responsible for the member groups' devolved training budget to assist and support in identifying and delivering member learning and development needs.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
- the devolved development & training budgets are aligned to the Carlisle Plan priorities and key objectives; and
 - there is a system in place for directorates and member groups to identify training requirements, to procure training in-house or external and document training outcomes.
- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Devolved Development & Training and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

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

Section 1 – Management Summary

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

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

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

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Devolved Development and Training provide **Reasonable** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	The devolved development & training budgets are aligned to the Carlisle Plan priorities and key objectives.	Reasonable	0	3	1
7.2	There is a system in place for directorates and member groups to identify training requirements, to procure training in-house or external and document training outcomes.	Reasonable	0	0	0
Overall Evaluation / No. of Recommendations		Reasonable	0	3	1

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The reasonable assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Area of good practice noted:*
- the use of the Member training request form template provides a clear audit trail to support the expenditure made.

Section 1 – Management Summary

- 6.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 6.4. Whilst the directorates' devolved development and training budgets are not of a significant value the findings detailed in this report do suggest there is a lack of managed budgets; inconsistent availability and use of these across the Council. The key issues arising from this review are:
- with the exception of a **"Training Budgets"** report to the Senior Management Team "SMT", in February 2010, that specifically reported on the outcome of a review of the allocation of the devolved training budget 0603 Professional Update and Tuition, there has been no review of the original arrangements introduced in 2006 which saw the 0603 Professional Update and Tuition budget devolved to directorates. While it is noted, not tested, that directorates' financial planning complies with the Financial Procedures Rules Internal Audit testing highlighted the directorates' planning to deliver training, in terms of completion of directorates' training plans and how these are linked to business need and aligned to budgets, and delivered could not be wholly evidenced;
 - the devolved training budget allocation is out of date and not aligned to the current organisation structure. It is noted that where there have been significant changes to directorates over the years through restructuring, there has been no corresponding changes have made to the allocation of the devolved training budgets. The **"Training Budgets"** report to SMT in 2010 noted the finding **"allocations are out of date"** and included a recommendation to improve this; however there is no evidence it had been implemented;
 - similarly, budget monitoring over the Professional Update and Tuition devolved training budgets could be improved upon as there has been consistent and significant under spends in these budgets over the latter two years; and
 - within directorates/services there is a lack of formality to document training needs/requirements through the completion of training requests.
- 6.5. Whilst this review only focussed on devolved development and training arrangements and budgets that are not of a significant value it did highlight across the Council concerns regarding the completion of training plans; how these should be linked to business need and used to assist in the Council achieving its priorities and objectives; and how these should be aligned to financial planning arrangements. Internal Audit has agreed to undertake a more in depth review of training arrangements in a review of Workforce Development and Training as part of the Audit Plan for 2014/15.

CHIEF EXECUTIVE'S TEAM

Audit of Devolved Development & Training (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	<p>Internal Audit testing highlighted that the expected practice, in terms of how the directorates' plans to deliver training, in terms of completion of training plans and how these are linked to business need and aligned to budgets, and delivered could not be wholly evidenced.</p> <p>In addition audit testing highlighted a lack of evidence as to how training was initially identified, approved and received prior to invoice payments being made.</p>	<p>Guidance should be issued to directorates:</p> <ul style="list-style-type: none"> detailing how devolved development and training is planned, linked to business need through the use of the staff appraisal process to meet directorate/ corporate prioritise and objectives and aligned to budgets; and all training has a training request form approved by the relevant budget holder. 	<p>Directorates/corporate objectives may not be achieved.</p> <p>Budgets may not be used for the purposes intended.</p>	B	<p>A paper will be submitted to the Senior Management Team "SMT" to consider the use of devolved development training budgets.</p>	<p>Organisational Development Manager</p> <p>Financial Services HR Manager</p>	30 June 2014

APPENDIX B

R2	Internal Audit testing of the 2013/14 directorates/ services' 0603 devolved training budgets found inconsistencies in budget availability and its alignment with current service structures, corporate priorities and service objectives.	The allocation of the 0603 Professional Update and Tuition devolved training budget should be reviewed, assessed and updated in accordance with the Council's current organisation structure and the directorates/corporate priorities and objectives.	Individual and team collective training needs may not be met. Directorates/corporate objectives may not be achieved.	B	Agreed, allocations will be reviewed.	Financial Services and HR Manager	30 June 2014
R3	Internal Audit testing suggests budget monitoring over the 0603 Professional Update and Tuition Devolved Training budget could be improved. There have been consistent and significant under spend of this budget over the latter two years, leading to a risk of potential under spend in the current year budget and expenditure being incurred when no budget is available.	Budget monitoring report on the 0603 Professional Update and Tuition devolved training budgets should be produced and reviewed in accordance with the budget monitoring arrangements detailed in the Financial Procedures Rules. Guidance should be issued to budget holders to remind them of the need to ensure that expenditure is not incurred where no budget is available.	Budgets may not be used for the purposes intended.	B	Will continue to monitor the devolved development and training budgets through the budget monitoring process. The responsibility for these budgets lies with the directorates and the relevant budget holder.	Financial Services and HR Manager	30 June 2014
R4	A list of members' training needs is prepared as output from the member/	Organisational Development should review member groups	Budget allocations maybe set above what is required therefore may lead to	C	Organisational Development to work with the	Organisational Development Manager	30 June 2014

APPENDIX B

leader reviews however, there is no evidence such a list is prepared / linked to budget setting and no evidence to show how this aligns to the Carlisle Plan priorities and key service objectives.	devolved budget requirements and how these are aligned to the Carlisle City priorities and objectives.	inappropriate spending. Members' training needs may not be met. Carlisle corporate priorities and objectives may not be achieved.	Member Learning and Development Working Group (MLDWG) on these issues. Any changes to the way budgets are allocated would need to be approved by the MLDWG.	
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CUMBRIA SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
CHIEF EXECUTIVE'S TEAM**

**ON:
CUSTOMER SERVICES**

Audit Contact: Principal Auditor (Pauline Connolly)

Draft Report Issued: 14 January 2014

Final Report Issued: 6 March 2014

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Customer Services was identified for review as part of the agreed Audit Plan for 2013/14.

2. BACKGROUND INFORMATION

- 2.1. An audit review of Customer Services was last undertaken in March 2012. The final report, which was discussed with management in September 2012, contained 6 grade B recommendations and a restricted assurance. This final report was not progressed as it was felt by management that the service had moved on from this reported position. Due to the constantly changing and evolving nature of Customer Services and dealing with, amongst other things, new legislation and other in house service changes, a further audit review was requested later in 2013/14 to provide an up to date opinion on the service.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
- an approved Customer Service Strategy is in place and takes into account any future implications of Welfare Reforms etc;
 - Customer Services makes full use of all information technology available to provide an efficient, 'joined up' service for the public; and
 - the contracts for and dependence placed upon Customer Services activities have been documented and finalise with the external partners.
- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects the inherent risks specific to Customer Services and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

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

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

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

Section 1 – Management Summary

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

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this audit review, we consider the current controls operating in relation to Customer Services Access Strategy and Partnership Arrangements to provide a **Substantial** assurance and the controls relating to Customer Services Online providing a **Partial** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Customer Services Access Strategy	Substantial	0	0	0
7.2	Customer Services Online	Partial	0	3	0
7.3	Partnership Arrangements	Substantial	0	0	0
Overall Evaluation / No. of Recommendations			0	3	0

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Area of good practice noted:*
- very experienced and knowledgeable customer services staff; and
 - the Council's customer services department has good relationships with its partners and continually seeks further opportunities to collaborate and asset share.
- 6.3. A number of opportunities to further enhance controls have been identified and these are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 6.4. The key issues arising from this review are concentrated within section 7.2. - Customer Services Online which highlight weaknesses relating to the lack of automation and completeness of customer request information held in and managed by the Customer Relationship Management "CRM" system and relevant back office systems. The issues raised in this area of the audit can be summarised as follows:
- There is no documented procedures defining the processes involved in managing customers' requests for services, the integration to back office services and how these are documented and controlled;
 - There is not always a complete audit trail on the CRM system and back office systems of service requests and the actions taken to complete and close customers' service requests.

Section 1 – Management Summary

This increases the potential risk of not achieving Customer Access Strategy objective 1 *“the customer experience will be of the highest possible standard”* in particular implementing the action *“All customer service requests, requests for information and advice to be co-ordinated through the customer contact centre and recorded on CRM in the first instance”*;

- Whilst there is some evidence that the frontline service of managing requests for services through the Contact Centre is integrated to the back office services, this is incomplete and there is insufficient evidence to demonstrate that a “joined up” service is provided from frontline to back office services. There is a need to define the procedures for managing the requests for services through the Contact Centre, requests received through the Council’s website, the integration to back office systems; the provision of an auditable trail of updates and closures on CRM. There is a need to ensure that when synchronising CRM to back office systems, exception reports are produced to identify missed and incomplete service requests which require action/correction.

CHIEF EXECUTIVE'S TEAM

Audit of Customer Services (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	There is no documented procedures which define the processes involved in managing service requests, their successful integration to back office systems and how these are documented and controlled.	<p>A procedure should be prepared and issued that provides guidance to Customer Service staff on how service requests are documented and controlled that includes:</p> <ul style="list-style-type: none"> opening of service requests including those received via Council's websites; the integration and auditable trail of updates to/from back office services and; closing of service requests on CRM. 	<p>Non compliance with expected procedures.</p> <p>Customers' requests may not be actioned or delayed if unaware of expected procedures to follow.</p>	B	A matrix will be produced to document agreed service requests and how they are recorded and monitored. This will include where there is full integration between systems and if not, why not.	Customer Service Manager	March/ April 2014
R2	Internal Audit testing shows	The progress	Poor decisions are made and	B	A small restructure	Customer Services	March/

APPENDIX B

	that there is an audit trail of service requests sent from CRM to the back office systems, but this is not a two way process as there is insufficient / no evidence of updates from back office systems to CRM prior to or closing the service requests.	updates on customers' service requests should be recorded on CRM and supported information held within integrated back office systems.	insufficient resources are used when there is an incomplete audit trail. Customers' requests may not be actioned or delayed where there is incomplete or inconsistent information.		is being made within the Customer Services team to create a part time Development Officer post. One of the duties of the post will be to monitor and analyse recording and completion of service requests.	Manager	April 2014
R3 Page 177 of 224	Internal Audit testing shows that although there is evidence of integration between Customer Service Contact Services and back office services, this is not streamlined and the data which is transferred between the CRM and relevant back office systems is not complete.	An exception report should be produced to identify any omission, abnormal data or unusual data exceptions when synchronising CRM to back office systems and requests via the Council's website. The report should be reviewed and where appropriate corrective action should be taken.	Customers' requests may not be actioned or delayed where there is incomplete or inconsistent information.	B	As above.	Customer Services Manager	March/ April 2014



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Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public

Title: Internal Audit Charter
Report of: Director of Resources
Report Number: RD05-14

Audit Committee

Agenda
Item:

A.10

Purpose / Summary:

The Cumbria Shared 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 and the Standards by which internal audit work must be conducted.

An Audit Charter is one of the key requirements of the PSIAS and failure to approve an Audit Charter may be considered to be a significant deviation from the requirements of the Standards

The Audit Committee received the Draft Charter in January 2014. Since this time, there has been an update within Section 6 (Resources, Proficiency and Due Professional Care) to provide more coverage on confidential reporting practices within the Internal Audit Shared Service. The Charter was also considered by the Executive on 10th March 2014 and their comments are attached.

Recommendation:

Members are asked to:

- **Note the changes to Section 6. Resources, Proficiency and Due Professional Care**
- **Approve the Internal Audit Charter alongside the 2014/15 Audit Plan.**

Tracking

Overview and Scrutiny:	Not applicable
Executive	10 th March 2014
Audit Committee	14 th April 2014

Report to Executive

Agenda
Item:

10th March 2014

Meeting Date:

Portfolio:

Finance, Governance and Resources

Key Decision:

No

Within Policy and
Budget Framework

Yes

Public

Title:

Internal Audit Charter

Report of:

Director of Resources

Report Number:

RD94-13

Purpose / Summary:

The Cumbria Shared 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 and the Standards by which internal audit work must be conducted.

An Audit Charter is one of the key requirements of the PSIAS and failure to approve an Audit Charter may be considered to be a significant deviation from the requirements of the Standards

Recommendation:

Members are asked to approve the Internal Audit Charter and note that this document will be updated annually and submitted to the Audit Committee alongside the annual audit plan.

Tracking:

Audit Committee	24 January 2014
Executive	10 March 2014
Audit Committee:	14 April 2014
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 BACKGROUND

- 1.1. Attached as **Appendix A** is a draft internal audit charter setting out the arrangements for the delivery of the Internal Audit service to Carlisle City Council (the Council). It is a requirement of the mandatory Public Sector Internal Audit Standards that the Council has an audit charter in place, which has been approved by senior management and the Audit Committee.
- 1.2. Key elements of the Charter are:
- Reference to the mandatory nature of the Public Sector Internal Audit Standards;
 - The functional reporting line of internal audit to the Audit Committee to maintain audit independence;
 - The requirement for internal audit to provide an annual opinion on the Council's arrangements for governance, risk management and internal control;
 - Internal Audit's right of access to all activities, premises, records, personnel, cash and stores as required to undertake agreed internal audit assignments;
 - The responsibility of the Head of Internal audit (the Group Audit Manager) to prepare an annual risk based audit plan for approval by senior management and the Audit Committee; and
 - The responsibility of the Head of Internal Audit to bring to the attention of Audit Committee:
 - any resourcing issues that would impact on the provision of the annual opinion; and
 - any occasion where management have accepted a level of risk that may be unacceptable to the organisation.
 - The responsibilities of management to:
 - Maintain systems that are controlled against fraud or error and to undertake reviews of their systems to ensure they continue to operate effectively; and
 - Support the delivery of an effective internal audit function by contributing to audit scopes, providing information as required, responding to internal audit reports and implementing audit recommendations on a timely basis.
- 1.3. 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 diagram attached as **Appendix B** illustrates the three lines of defence in ensuring that organisations are adequately managing their risks. Internal audit forms the third line of defence alongside other independent external providers of assurance. Importantly, the role of Internal Audit is to provide the senior management and elected Members of the organisation that the arrangements within the first and second lines of defence are adequate and working effectively to manage risks.

2 CONSULTATION

- 2.1. The draft Internal Audit Charter was considered by the senior management team at its meeting on 21st January 2014 and the Audit Committee on 24th January.

- 2.2. The consultation process raised comments regarding confidentiality arrangements when auditors are working in different organisations across the shared service. Paragraph 6.9 (page 10) has now been added to cover these arrangements.

3 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 3.1. The Executive is required to approve internal audit protocols and policies.

4 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 4.1. 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: **Niki Riley** **Tel: (01228) 226261**
 Group Audit Manager
 (Cumbria County Council)

Appendices **A - Internal Audit Charter**
attached to report: **B - Diagram - 3 lines of defence to managing risks**

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

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – The Audit Committee's Terms of Reference include responsibility for considering reports dealing with the management and performance of the providers of internal audit services. This will include this Charter, which is required by the PSIAS as detailed within the report. The Audit Committee's terms of reference require it to consider matters such as this Report and make recommendations to the Executive.

Local Environment – not applicable

Resources – The Accounts and Audit Regulations 2011 makes it a requirement of the Council to undertake an adequate and effective internal audit of its accounting records and of its systems of internal control; and conduct a review of the effectiveness of its internal audit on an annual basis. Compliance with the Public Internal Audit Standards, including the Auditors approach to the delivery of internal audit services, through this Charter, will form part of that annual review.

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 This Charter describes the purpose, authority, responsibilities and objectives of internal audit across the Cumbria Shared Internal Audit Service. It establishes Internal Audit's position within Carlisle City Council and the nature of the Audit Manager's 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 Cumbria Shared 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 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 to be 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 Public Sector Internal Audit Standards use 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 Shared Service, senior management refers to the respective client lead officer and the 'board' is the Audit Committee which is charged with responsibility for governance.

2. The Role of Internal Audit

- 2.1 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 diagram attached as Appendix B illustrates how internal Audit supports the governance framework and provides a line of defence in ensuring that organisations are adequately managing their risks.
- 2.2 Internal Audit operates as a Shared Audit Service between Cumbria County Council, Carlisle City Council, Copeland Borough Council, Cumbria Constabulary and the Police

and Crime Commissioner. The host authority for the delivery of the Shared Audit Service is Cumbria County Council.

- 2.3 The services provided by Internal Audit are designed to assist each of the participating organisations 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.
- 2.4 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;
 - Review of 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 hot assurance on projects or service and system development;
 - Investigation of suspected fraud or irregularity or provision of advice and support to management in undertaking an investigation; and
 - Advice on strengthening controls following such an incident.

3. Purpose, Authority, Responsibility and Objectives

Purpose

- 3.1 Internal audit is described by the Chartered Institute of Internal Auditors as a key component of corporate governance. 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.
- 3.2 Internal Audit's core purpose is to provide Senior Management and Elected Members with independent, objective assurance that their respective organisations have adequate and effective systems of risk management, internal control and governance.
- 3.3 By undertaking an annual risk assessment for each organisation within the shared service, and using this to prepare annual risk-based audit plans, Internal Audit is able to target resources at the areas identified as highest risk to each organisation. This then allows Internal Audit to give an annual overall opinion on the organisation's systems of risk management, internal control and governance.
- 3.4 The annual report and opinion is a mandatory requirement and is a key contributor to the Annual Governance Statement which accompanies the annual statement of accounts. The Governance Statement provides assurance to the Audit Committee that an effective internal control framework is in place.

- 3.5 Internal Audit supports the Section 151 Officer to discharge their responsibilities under section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 2011 and the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. This Statement places on the Chief Financial 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.
- 3.6 Internal Audit supports the Head of Paid Service (Chief Executive) in providing high level assurances relating to the Council's Governance arrangements.
- 3.7 Internal Audit also supports the Monitoring Officer (Director of Governance) in discharging his / her responsibilities for maintaining high standards of governance, conduct and ethical behaviour.

Authority

- 3.8 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 the Cumbria Shared Internal Audit Service.
- 3.9 This charter delegates to the Head of Internal Audit, the responsibility to undertake an annual risk assessment for each organisation in consultation with the Council's management, and from this, prepare a risk-based plan of audit work for approval by the Audit Committee.
- 3.10 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.
- 3.11 The charter establishes that the 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

- 3.12 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 each participating organisation.
- 3.13 The Group Audit Manager / Audit Managers 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.

Implementation

- Deliver the approved annual programme of internal audit work and report the outcomes in full to senior management (as agreed at the scoping stage of each engagement) and in summary to the Audit Committee. Where locally agreed, internal audit reports may 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 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 organisation; and
- Internal audit has a duty to bring to the attention of the Audit Committee where the Head of Internal Audit, or his/her nominated deputy Audit Manager, 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

- 3.14 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 organisation or for authorising transactions, and

- Internal Audit is not responsible for implementing its recommendations or for ensuring that these are implemented.

- 3.15 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.
- 3.16 Internal audit does not have any responsibilities for preventing or detecting fraud or error, this is the responsibility of the management of the respective organisations. Internal audit's role is to provide senior management and the Audit Committee with assurance that the management of the organisation have themselves established procedures that allow them to prevent or detect fraud or error and to respond appropriately should this occur.
- 3.17 It is the responsibility of the respective organisations' management to maintain adequate systems of internal control and to review their systems to ensure that controls continue to operate effectively.
- 3.18 The role of Internal Audit vs the Management of the organisation is summarised in the diagram at appendix B.

4. Scope of Internal Audit Work

- 4.1 The scope of Internal Audit work covers the entire systems of risk management, internal control and governance across each participating organisation. This allows Internal Audit to provide assurance that appropriate arrangements are in place to ensure that:
- the organisation'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 organisation's plans, priorities and objectives are being achieved, and
 - legal and regulatory requirements are being met.

5. Position and Reporting Lines for Internal Audit

- 5.1 Internal Audit reports operationally to the Section 151 Officer / Chief Financial Officer within each of the participating organisations. Functional reporting is to the Audit Committee.
- 5.2 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.
- 5.3 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.

- 5.4 On an annual basis, Internal Audit will prepare and present to the Audit Committee, an annual report containing:
- the overall opinion of the Head of Internal Audit (or delegated Audit Manager);
 - a summary of the work undertaken to support the opinion, and
 - a statement of conformance with the Public Sector Internal Audit Standards.
- 5.5 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.
- 5.6 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 Responsible Financial Officer and / or Chief Executive and reported to the Audit Committee. 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.

6. Ethics, Independence and Objectivity

Ethics

- 6.1 Internal Audit works to the highest standards of ethics and has a responsibility to both uphold and promote high standards of behaviour and conduct.
- 6.2 All internal auditors working within the UK public sector are now required to comply with the mandatory Code of Ethics contained within the new Public Sector Internal Audit Standards. As such this Code has been adopted by the Shared Internal Audit Service and all staff will be requested to sign up to the Code on an annual basis. Auditors within the shared service are also required to comply with the codes of ethics of their professional bodies.

Governance and Independence of the Shared Internal Audit Service

- 6.3 The governance of the provision of the Shared Audit Service shall be carried out by the Shared Service Operations Board and Strategic Board whose role is to:
- Ensure that the shared Audit Service meets the requirement of the proper practices for Internal Audit
 - Reach common agreement over issues such as standards, goals and objectives and reporting requirements
 - Agree on the range of audit outputs
 - Confirm the scope and remit of the audit function
 - Agree reporting and performance arrangements for internal audit, including performance measures, delivery of plan, cost, and impact tracking.

Independence

- 6.4 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 Head of Internal Audit (or delegated Audit Manager) reports operationally to the Section 151 Officer (Director of Resources) there is

also a functional reporting line to the Audit Committee and the Head of Internal Audit (or delegated Audit Manager) has direct access to the Chair of Audit Committee.

- 6.5 Internal auditors will not undertake assurance work in areas for which they had operational responsibility during the previous 12 months.
- 6.6 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

- 6.7 For internal audit to provide an opinion to each Authority within the Shared Internal Audit Service 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.
- 6.8 It is the responsibility of the participating organisations 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.
- 6.9 Internal Auditors, by the nature of their work, will receive and review significant volumes of information from the various clients of the Shared Internal Audit Service. Confidentiality is therefore paramount and all internal audit staff are bound by the mandatory Code of Ethics within the PSIAS. The Code requires that auditors do not disclose information without the appropriate authority unless there is a legal or professional obligation to do so.
- 6.10 In line with the requirements of the Standards, in the event that the 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.
- 6.11 In line with the requirements of the PSIAS and the CIPFA Statement on the Role of the Head of Internal Audit 2010, the Group Audit Manager and Audit Manager who perform this function for clients of the Shared Service, are professionally qualified and appropriately experienced.

The Role of Internal Audit in Fraud-related work

- 6.12 The PSIAS require that the role of internal audit in any fraud-related work is defined within the audit charter.
- 6.13 Internal audit may also undertake planned reviews of areas considered to be at particular risk of fraud. 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.
- 6.14 It is recommended that each participating authority reviews its counter-fraud and whistleblowing arrangements and key contact details in light of the Shared Internal Audit Service 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 Director of Resources. The Director

of Resources will liaise with the Head of Internal Audit (or delegated Audit Manager) to determine the appropriate way to proceed, including ensuring that any investigation is undertaken by suitably qualified and experienced staff.

Advice / Consultancy work

- 6.15 Where Internal Audit is requested to provide advice, consultancy or investigatory work, the request will be assessed by the 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 organisation's management and are thereby not appropriate internal audit tasks.
- 6.16 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.

7. Management Responsibilities

- 7.1 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 (Director of 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 personal relevant to the audit assignment on a timely basis.
 - Responding to internal audit reports and making themselves available for audit closeout meetings to agree draft audit reports.
 - Implementing audit recommendations within agreed timescales.
- 7.2 Instances of non-cooperation with reasonable audit requests will be escalated through the S151 Officer and ultimately to the Audit Committee if necessary.
- 7.3 While Internal Audit is responsible for providing independent assurance to the Council and the Audit Committee, it is the responsibility of the organisations' 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.

8. Quality Assurance

- 8.1 Public Sector Internal Audit Standards 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

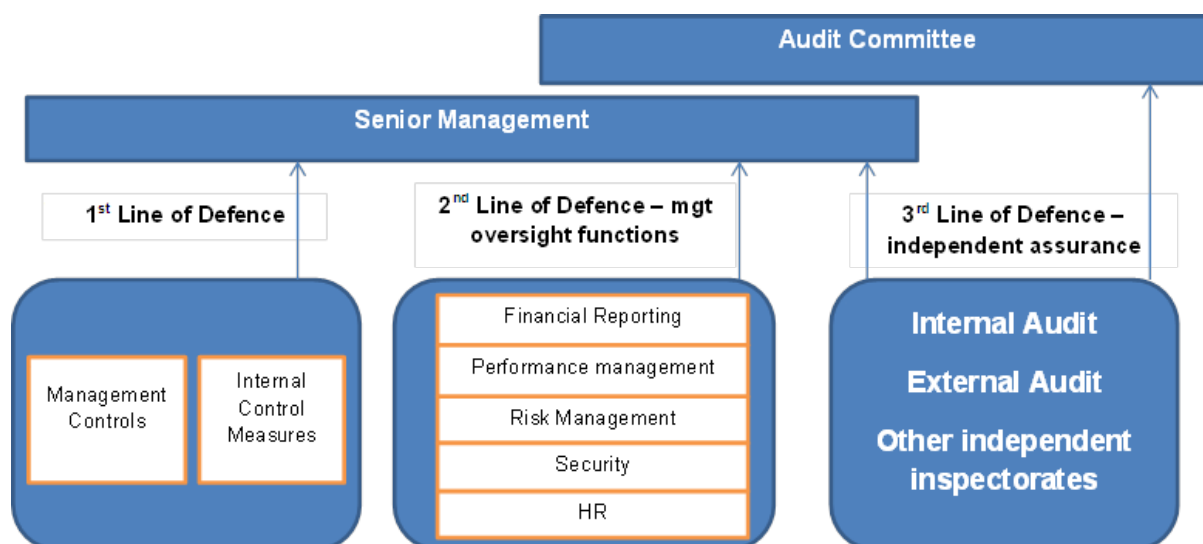
- 8.2 All internal audit reviews are subject to management quality review to ensure that the work meets the standards expected for audit staff. Such management review will include:
- Ensure the work complies with the PSIAS;
 - Work is planned and undertaken in accordance with the level of assessed risk; and
 - Appropriate testing is undertaken to support the conclusions drawn.

External assessments

- 8.3 An external assessment must be conducted at least every five years by a qualified, independent assessor from outside the organisation. The Group Audit Manager will discuss options for the assessment with the Shared Services Strategic Board.

9. Review of the Audit Charter

- 9.1. This Charter will be reviewed annually and submitted to Senior Management and the respective Audit Committee, for approval alongside the annual audit plans.

Internal Audit - The Third Line of Defence

The above diagram demonstrates the three lines of defence in ensuring that organisations are adequately managing their 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 organisation 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 that the arrangements within the first and second lines of defence are adequate and working effectively to manage the risks faced by the organisation.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 10 MARCH 2014

EX.29/14 INTERNAL AUDIT CHARTER
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

Pursuant to Minute AUC.15/14, the Finance, Governance and Resources Portfolio Holder submitted report RD.94/13 presenting a draft Internal Audit Charter (Appendix A) setting out the arrangements for the delivery of the Internal Audit service to Carlisle City Council.

It was a requirement of the mandatory Public Sector Internal Audit Standards that the Council had an Audit Charter in place, which had been approved by senior management and the Audit Committee.

Members' attention was drawn to the key elements of the Charter, together with the responsibilities of management, as outlined at Section 1.2 of the report.

Internal Audit helped 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 diagram attached at Appendix B illustrated the three lines of defence in ensuring that organisations were adequately managing their risks. Internal Audit formed the third line of defence alongside other independent external providers of assurance. Importantly, the role of Internal Audit was to provide the senior management and elected Members of the organisation with assurance that the arrangements within the first and second lines of defence were adequate and working effectively to manage risks.

The Audit Committee had, on 24 January 2014, considered the matter and resolved:

“(1) That the Audit Committee had considered the draft Internal Audit Charter and noted that the document would be updated annually and submitted for approval to senior management and the Audit Committee alongside the annual Audit Plan.

(2) That the Audit Committee considered that confidentiality was a key requirement for inclusion within the Charter.

(3) That, subject to the above, the draft Internal Audit Charter be referred to the Executive for approval.”

In conclusion, the Finance, Governance and Resources Portfolio Holder asked the Executive to approve the Internal Audit Charter, and note that the document would be updated annually and submitted to the Audit Committee alongside the annual Audit Plan.

The Economy and Enterprise Portfolio Holder seconded the recommendation.

Summary of options rejected None

DECISION

That the Executive approved the Internal Audit Charter, noting that the document would be updated annually and submitted to the Audit Committee alongside the annual Audit Plan.

Reasons for Decision

The Executive was required to approve internal audit protocols and policies

Report to Audit Committee

Agenda
Item:

A.11

Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: Not Applicable:
Within Policy and
Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2013
Report of: Director of Resources
Report Number: RD84/13

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the third quarter of 2013/14, was received by the Executive on 10 February 2014. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms. The Committee is otherwise asked to note the report.

Recommendations:

That the report be received.

Tracking

Executive:	10 February 2014
Overview and Scrutiny:	
Council:	

Report to Executive

Agenda
Item:

Meeting Date: 10 February 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT OCTOBER - DECEMBER 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD84/13

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 2013.

Tracking

Executive:	10 February 2014
Audit Committee:	14 April 2014
Council:	n/a

1. INTRODUCTION

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

- (i) **Appendix A** sets out the schedule of Treasury Transactions for the period 1 April 2013 – 27 December 2013
 - **Appendix A1** – Treasury Transactions April to December 2013
 - **Appendix A2** – Investment Transactions April to December 2013
 - **Appendix A3** – Outstanding Investments at December 2013 and
- (ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2013/14:
 - **Appendix B1** – Prudential Code background
 - **Appendix B2** – Prudential Indicators

2. CONSULTATION

2.1 Consultation to Date.
None.

2.2 Consultation proposed.
None

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

3.1 That this report is received and the Prudential Indicators noted as at the end of December 2013.

4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer:	Steven Tickner	Ext: 7280
Appendices attached to report:	Appendix A1 – Treasury Transactions April to December 2013	
	Appendix A2 – Investment Transactions April to December 2013	
	Appendix A3 – Outstanding Investments at December 2013	
	Appendix B1 – Prudential Code background	
	Appendix B2 – Prudential Indicators	

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

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

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

Local Environment – not applicable

Resources – Contained within the report

TREASURY TRANSACTIONS
1 APRIL 2013 to 27 DECEMBER 2013

1. LOANS (DEBT)

1.1 Transactions 1 October to 27 December 2013

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0		0	0
Local Bonds	0		0	0
Short Term Loans	0		0	0.00
Overnight Borrowing	0		0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. New procedures have been put in place to map the cash flow more accurately to enable better forecasting and to limit the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at 27 December 2013

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	13,300
	15,013,300

1.4 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at 27 December 2013 (These are the balances held on behalf of Carlisle Educational Charity and Mary Hannah Almshouses)	0	0	13,300
			13,300

1.5 Interest Rates

Capita Asset Services (previously Sector) is not forecasting an interest rate rise until Quarter 4 of 2015.

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	32,935,000	0.38 - 0.85	35,475,000	0.38 - 1.75
	32,935,000		35,475,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at 27 December 2013.

3 REVENUES COLLECTED

To: 27 December 2013		Collected £	% of Amount Collectable %
2013/14	Council Tax NNDR	41,942,702 37,373,230	85.69 88.84
Total		79,315,932	87.14
2012/13	Council Tax NNDR	40,986,514 35,343,358	86.03 86.36
Total		76,329,872	86.18
2011/12	Council Tax NNDR	40,712,911 33,408,985	86.05 87.18
Total		74,121,896	86.55

Collection levels have been fairly stable in each of the past three years.

4 BANK BALANCE

At 27 December 2013 £1,388,491.64 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 27 DECEMBER 2013

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(355)	(175)	180
Interest Payable	850	849	(1)
Less Rechargeable	(7)	(7)	0
	843	842	(1)
Principal Repaid	0	0	0
Debt Management	15	12	(3)
NET BALANCE	503	679	176

The estimate column is the profiled budget to 27 December 2013.

Interest receivable is falling behind budgeted projections due to average investment returns being lower than those anticipated when the budget was set. Although bank base rates have remained at 0.50%, investment rates fell significantly over the first 6 months of 2013 due to banks being able to access capital from the Bank of England that has meant they do not need to offer higher rates to attract investment from the financial markets. This has meant, for example, that a twelve month investment made now will only attract a yield of less than 1%, whereas at this point twelve months ago, the same investment could have achieved a return of 3%.

APPENDIX A2

INVESTMENT TRANSACTIONS 1 JULY TO 27 DECEMBER 2013

[illegible]

Outstanding Investments as at 27 December 2013

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
O	HSBC	840,000	0.50%		Call			0
G	Nationwide Building Society	2,000,000	0.63%	02/04/2013	02/01/2014	90	275	9,493
B	Bank of Scotland	1,000,000	1.10%	04/01/2013	03/01/2014	460	364	10,970
B	Bank of Scotland	1,000,000	1.10%	13/02/2013	14/02/2014	502	366	11,030
N/C	Barclays Bank	1,000,000	0.52%	09/06/2013	06/03/2014	522	270	3,847
B	Bank of Scotland	1,000,000	1.10%	25/03/2013	28/03/2014	544	368	11,090
B	Bank of Scotland	1,000,000	1.10%	27/03/2013	28/03/2014	544	366	11,030
B	Bank of Scotland	1,000,000	1.10%	28/03/2013	28/03/2014	544	365	11,000
B	Royal Bank of Scotland	1,000,000	0.80%		Call90	90		
B	Royal Bank of Scotland	2,000,000	0.80%		Call90	90		
B	Royal Bank of Scotland	1,000,000	0.80%		Call90	90		
B	Royal Bank of Scotland	1,000,000	0.80%		Call90	90		
B	Royal Bank of Scotland	1,000,000	0.80%		Call90	90		
B	Royal Bank of Scotland	1,000,000	0.80%		Call90	90		
B	Bank of Scotland	1,000,000	1.10%	11/04/2013	10/04/2014	95	364	10,970
B	Bank of Scotland	1,000,000	1.05%	30/05/2013	30/05/2014	607	365	10,500
N/C	Barclays Bank	1,000,000	0.69%	22/08/2013	30/05/2014	607	281	5,312
B	Bank of Scotland	1,000,000	1.01%	02/08/2013	01/08/2014	670	364	10,072
Total Investments		£20,840,000	0.86%			323	341	£105,315

N.B Interest is recognised in the appropriate financial year in which it is due.

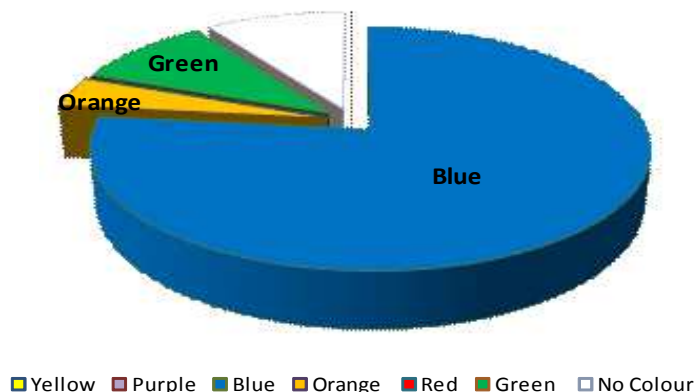
The category colour represents the duration of investment recommended by Capita Asset Services, the Council's Treasury Advisors. Those investments with No colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

Investments Summary Sheet

						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	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	76.77%	16,000,000	50.00%	8,000,000	38.39%	0.94%	93	228
Orange	4.03%	840,000	100.00%	840,000	4.03%	0.50%	0	0
Red	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Green	9.60%	2,000,000	0.00%	-	0.00%	0.63%	2	275
No Colour	9.60%	2,000,000	0.00%	-	0.00%	0.61%	108	230
	100.00%	20,840,000	42.42%	8,840,000	42.42%	0.86%	82	223

Weighted Average Risk				
Risk Score for Colour (1 = Low, 7 = High)	Dec 2013	Sep 2013	Jun 2013	Mar 2013
1	0	0	0.0	0.0
2	0	0	0.0	0.0
3	2.3	2.1	2.1	2.6
4	0.2	0.4	0.0	0.4
5	0	0	0.6	0.3
6	0.6	1.3	1.0	0.0
7	0.7	0	0.0	0.0
	3.7	3.8	3.7	3.3

**Portfolio Composition by Capita's
Suggested Lending Criteria**



	Capita 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

Government Backed
Non Government
Backed

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. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Differing types of government control operated over the years but since 1990 these had been termed credit approvals. The level of an authority's previous years' credit approvals is also included in the revenue support grant (RSG) allocation so that ultimately any borrowing is 'supported' via RSG.

- 3.2 This element of supported borrowing is still part of the RSG system although the City Council has previously resolved that its capital borrowing would be limited to its level of supported borrowing. In 2013/14 this is estimated to be Nil.
- 3.3 However, there may be circumstances in which the City Council will wish to undertake some prudential borrowing and the issues surrounding unsupported and supported borrowing are discussed below.
- 3.4 Authorities are permitted to borrow in excess of their supported borrowing allocation. This is referred to as prudential or unsupported borrowing. This can be undertaken so long as the Council can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2013/14 to date as detailed in the Treasury Management Strategy Statement for 2013/14.

(a) Affordability

	2013/14 Original £	2013/14 Revised £
(i) Capital Expenditure	7,780,000	7,358,400
(ii) Financing Costs Total Financing Costs	845,959	1,060,493
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,454,000	13,454,000
(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.	6.29%	7.88%
(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.	0.56	0.56
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities 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.	37,600,000 15,013,300	37,600,000

	2013/14 Original £	2013/14 Revised £
(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.	32,600,000 15,013,300	32,600,000
(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.	(5,293,000)	n/a

(b) Prudence and Sustainability

	2013/14 Revised £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2013/14 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at 27 December 2013	100%
(iii) Percentage of Variable Rate Long Term Borrowing at 27 December 2013 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 27 December 2013 As part of the Investment Strategy for 2013/14 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%

Report to Audit Committee

Agenda
Item:

A.12

Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable:
Within Policy and Budget Framework
Public / Private Public

Title: CORPORATE RISK MANAGEMENT
Report of: Deputy Chief Executive
Report Number: SD 10/14

Purpose / Summary:

The purpose of this report is to update Members on the Council's risk management arrangements.

Recommendations:

The Committee is asked to:

- (i) Note the contents of the report as evidence of the continuing commitment to and culture of sound governance arrangements for corporate risk management;
- (ii) Identify any risk management training requirements by members of Audit Committee.

Tracking

Executive:	
Overview and Scrutiny:	
Council:	

1. BACKGROUND

1.1 In accordance with the Council's Risk Management Policy, the Corporate Risk Register (CRR) has been submitted to the Resources Overview and Scrutiny Panel (ROSP) for monitoring and Audit Committee for independent assurance. Reports are now submitted on a 6 monthly rather than 3 monthly cycle. This is the first report to this new schedule.

This report contains the Risk Register (see Appendix A) presented to ROSP on 3rd April 2014.

2. PROPOSALS

2.1 Corporate Risk Register

The Corporate Risk Register continues to be reviewed quarterly in line with the Council's Risk Management Policy by the Corporate Risk Management Group and Senior Management Team. This contains those risks considered to be the significant risks in achieving the City Council's objectives for 2014/15:

- Asset Business Plan – Asset Disposal Strategy
- Asset Business Plan – Asset Acquisition Strategy
- Delivering the Carlisle Plan
- Council's Income Targets
- Housing needs of vulnerable groups
- Workforce planning

2.2 Risk Management training programme

Arrangements are currently being made for a risk management training programme for 2014/15. This will focus on the following areas:

- IOSH (Institution of Occupational Safety and Health) training for managers
- Updating the risk management e-learning module and delivering to staff
- Zurich insurance risk management training

The Audit Committee is asked to consider any training required by its members to assist them in better appreciation of risk management good practice.

3. CONSULTATION

- 3.1** Corporate Risk Management Group 12th March 2014
Senior Management Team 18th March 2014
ROSP 3rd April 2014

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1** The Committee is asked to:
- (i) Note the contents of the report as evidence of the continuing commitment to and culture of sound governance arrangements for corporate risk management;
 - (ii) Identify any risk management training requirements by members of Audit Committee.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1** The key risks in delivering the priorities in the Carlisle Plan have been identified and analysed along with the actions/resources that will be required to mitigate these risks. These risks are contained in the Corporate Risk Register and are reviewed regularly by the Corporate Risk Management Group and Senior Management Team.

Contact Officer: Sarah Mason

Ext: 7053

**Appendices
attached to report:**

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

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's - To ensure that the Council's risk management arrangements are monitored effectively.

Deputy Chief Executive –

Economic Development –

Governance –

Local Environment –

Resources -

Appendix A

Corporate Risk Register March 2014



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Note: Amendments in the last quarter are marked in italics. The inclusion of the previous and current risk matrices shows the effect that the control strategies have had on risk ratings since the last quarterly update. A target risk matrix shows the risk level that the Council is aiming to achieve from the successful implementation of the control strategies and the date for when this will be achieved.

Asset Business Plan – Asset Disposal Strategy

'There is a risk that significant delays in the disposal of Council assets will have substantial impact on the capital reinvestment plans and revenue position of the Council'

Present and Previous Matrices	Assessment Dates	Present and Previous Risk Scores	Current Action Status / Control Strategy	Target Risk Matrix
	12-Mar-2014	6	1. Regularly monitor the disposal negotiations in line with the Asset business case. 2. Seek advice from our agent and be ready to take appropriate action to remarket the asset should this need arise. 3. Complete refresh of the Asset Business Plan partly targetting housing land provision to meet priority in the Carlisle Plan. 4. The impact of delays in the disposal programme has been accounted for in the 2014/15 budget.	
	02-Sep-2013	9	4. The impact of delays in the disposal programme has been accounted for in the 2014/15 budget. <i>Risk to remain on Corporate Risk Register until Business plan is complete.</i>	

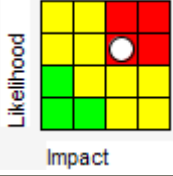
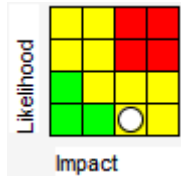
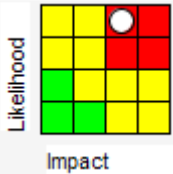
Current Impact Description	High
Current Likelihood Description	Reasonably probable
Risk Score	9

Target Risk Date	01-Dec-2014
Target Risk Score	3

Lead Officer	Mark Lambert
Portfolio Holder	Councillor Tickner
Overview and Scrutiny Panel	Resources

Asset Business Plan – Asset Acquisition Strategy

'There is a risk that significant delays in acquiring new revenue producing assets will have a substantial impact on the Council's revenue position during the current MTFP / budget process'

Present and Previous Matrices	Assessment Dates	Present and Previous Risk Scores	Current Action Status / Control Strategy	Target Risk Matrix
	12-Mar-2014	9	1. Complete control strategy for above corporate risk (Asset Disposal Plan). The MTFP has taken account of the loss of income. 2. Review and seek agreement from Executive / Council to a Capital Investment Strategy covering the key criteria and potential projects for investment (including the repayment of loans etc).	
	02-Sep-2013	12	3. Review Investment Strategy including Invest to Save, linked where appropriate to other procurement activities eg. the redevelopment of the Sands Centre.	

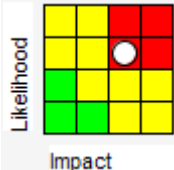
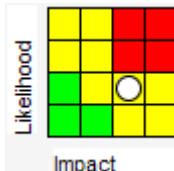
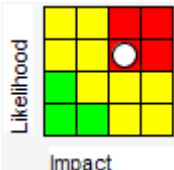
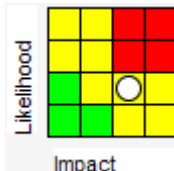
Current Impact Description	High
Current Likelihood Description	Probable
Risk Score	12

Target Risk Date	01-Apr-2016
Target Risk Score	3

Lead Officer	Mark Lambert
Portfolio Holder	Councillor Tickner
Overview and Scrutiny Panel	Resources

Delivering the Carlisle Plan

'There is a risk that we don't have the optimum balance of resources targetted to deliver the activities and projects delivering the Carlisle Plan'

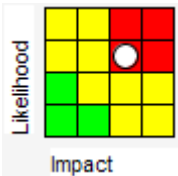
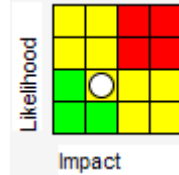
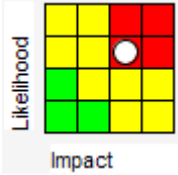
Present and Previous Matrices	Assessment Dates	Present and Previous Risk Scores	Current Action Status / Control Strategy	Target Risk Matrix
	06-Mar-2014	9	Grant Thornton, the Council's external auditors has recently reviewed the Council's arrangements for securing financial resilience (risk) and is very satisfied with the arrangements in place. However, it does suggest that the Council's usable reserves are the lowest in it's bench marking group. 1. Get resources placed appropriately for the objectives of the Council. 2. Develop clear service standards in order to monitor key priority areas, including the Carlisle Plan eg. Clean Up Carlisle and thus balance allocation of resources. 3. The Corporate Programme Board is managing the support resources required to deliver key Council objectives. 4. The 2014/15 budget / MTFP has taken account of budget pressures due to reduction in RSG, additional National Insurance, increased pension costs etc and the implications for transformational savings going forward. Further savings of £1.839m need to be identified by 2015/16 and a further £2.1m in future years. <i>Salary savings through voluntary redundancy and vacancy management initiatives and SMT restructure have identified £370k savings towards 2015/16 target. Also £250k reduction in Tullie House grant. This reduces the 2015/16 target to £1.219m.</i>	
	02-Sep-2013	9		

Current Impact Description	High
Current Likelihood Description	Reasonably probable
Risk Score	9

Target Risk Date	01-Apr-2017
Target Risk Score	6
Lead Officer	Jason Gooding
Portfolio Holder	Councillor Glover
Overview and Scrutiny Panel	Resources

Council's Income Targets

'There is a risk that the Council's income from chargeable services eg car parking does not meet MTFP targets and that the Council does not take advantage of other commercial opportunities'

Present and Previous Matrices	Assessment Dates	Present and Previous Risk Scores	Current Action Status / Control Strategy	Target Risk Matrix
	12-Mar-14	9	1. Improved marketing of chargeable services. 2. Improved performance information to enable intervention measures to be taken quicker. 3. Review of commercial opportunities to identify a range of opportunities to pursue during 2014/15. 4. Fundamental review of car parking provision and charging <i>is taking place. Staffing structure review subject to consultation.</i> 5. Review of income targets / corporate charging policy in May 2014.	
	02-Sep-2013	9		

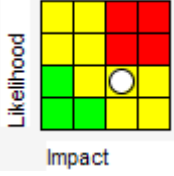
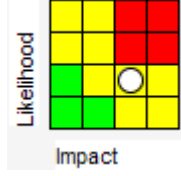
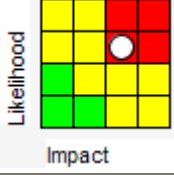
Current Impact Description	High
Current Likelihood Description	Reasonably probable
Risk Score	9

Target Risk Date	01-Apr-2015
Target Risk Score	4

Lead Officer	Senior Management Team
Portfolio Holder	Councillor Tickner
Overview and Scrutiny Panel	Resources

Housing needs of vulnerable groups

'There is a risk that we are not able to reduce repeat use of access to our homeless facilities'

Present and Previous Matrices	Assessment Dates	Present and Previous Risk Scores	Current Action Status / Control Strategy	Target Risk Matrix
	28-Feb-2014	6	1. Strengthen procedures that support vulnerable people at the correct times of crisis. 2. Maintain strong partnership working with Supported Housing Providers, Probation, Criminal Justice system, health professionals and pathways to training and employment. 3. <i>Complete the Hostel review implementing the recommendations from April 2014 onwards. This will also strengthen procedures that support vulnerable people.</i>	
	02-Sep-2013	9		

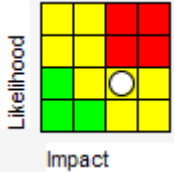
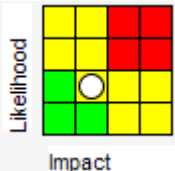
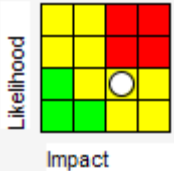
Current Impact Description	High
Current Likelihood Description	Reasonably probable
Risk Score	9

Target Risk Date	01-Dec-2014
Target Risk Score	6

Lead Officer	Jane Meek
Portfolio Holder	Councillor Riddle
Overview and Scrutiny Panel	Community

Workforce planning

'There is a risk of not having sufficient management competency to deliver our organisational objectives'

Present and Previous Matrices	Assessment Dates	Present and Previous Risk Scores	Current Action Status / Control Strategy	Target Risk Matrix
	12-Mar-2014	6	1. Transformation reviews across the Council (2011/12/13) have focussed on the deployment of staff and the balance between management, back office and frontline staff. It is felt that this balance currently suits the needs of the Council. 2. A new Organisational Development Plan has now been completed. This attends to the issues of management competency and 'new' skills including commissioning, commercial marketing skills and drafting tenders / monitoring contracts. The implementation of this plan has begun and will be monitored via SMT.	
	12-Dec-2013	6		

Current Impact Description	High
Current Likelihood Description	Remote
Risk Score	6

Target Risk Date	01-Apr-2014
Target Risk Score	4

Lead Officer	Jason Gooding
Portfolio Holder	Councillor Tickner
Overview and Scrutiny Panel	Resources

Report to Audit Committee

Agenda
Item:

A.13

Meeting Date: 14 April 2014
Portfolio: Finance, Governance and Resources
Key Decision: Not Applicable:
Within Policy and
Budget Framework YES
Public / Private Public

Title: CODE OF CORPORATE GOVERNANCE – ACTION PLAN
Report of: Director of Resources
Report Number: RD04/14

Purpose / Summary:

This report updates Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.

It includes a progress report on areas of weakness identified during the preparation of the 2012/13 Annual Governance Statement and any new areas identified during the course of the year for Members consideration.

Recommendations:

Members are requested to note the attached action plan and the current position relating to the issues which have been identified.

Tracking

Audit Committee:	14 April 2014
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND

- 1.1 The Council's Code of Corporate Governance was approved by Council in 2008 in line with the CIPFA/SOLACE Framework document 'Delivering Good Governance in Local Government'.
- 1.2 In line with the framework the Audit Committee have previously considered any areas of significant weakness in the Council's governance arrangements by reviewing at each meeting of the committee the action plans put in place to ensure that continuous improvement in the system of internal control is addressed.
- 1.3 Furthermore an Annual Governance Statement, signed by the S151 Officer, Leader and Chief Executive, is prepared which summarises the Council's governance arrangements and which sets out any areas of significant weakness. This is formally approved as part of the audit of the Statement of Accounts process.
- 1.4 Since the original framework was prepared, CIPFA has issued guidance statements on 'The Role of the Chief Financial Officer in Local Government' and 'The Role of the Head of Internal Audit' both of which the Council must consider when preparing its Annual Governance Statement. An updated guidance note has also been issued (December 2012) which provides a revised framework for corporate governance incorporating these two CIPFA Statements. This revised framework was adhered to in preparing the 2012/13 Annual Governance Statement.

2. ANNUAL GOVERNANCE STATEMENT & ACTION PLAN

- 2.1 The Annual Governance Statement for 2012/13 highlighted one area of weakness (related to contract monitoring) in the Council's governance arrangements, and progress made against this area is contained within **Appendix A**. During 2013/14 a review of Records Management was undertaken by Audit Services and a significant weakness identified; this has been included within the appendix along with action taken to progress the issue. There are no other new significant issues which need to be brought to Members' attention, nor are there any new areas of risk arising from the Audit reviews or from the Risk Registers that need to be drawn to Members' attention.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 3.1 Members are requested to note the attached action plan and the current position relating to the issues which have been identified.

4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 4.1 To ensure that the Council has sound systems of internal control and that the governance arrangements in place comply with statutory requirements.

Contact Officer: Alison Taylor

Ext: 7290

Appendices Appendix A – Code of Corporate Governance – Action Plan attached to report:

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

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – *Delivering Good Governance in Local Government: Framework* has been given 'proper practices' status by the Department for Communities and Local Government through non-statutory guidance in respect of the requirement for local authorities to prepare an annual governance statement which must accompany the statement of accounts.

Local Environment – not applicable

Resources – included in the main body of the report

ACTION PLAN – UPDATE APRIL 2014

	<u>WEAKNESS IDENTIFIED</u>	<u>RESPONSIBILITY</u>	<u>TARGET DATE</u>	<u>CURRENT STATUS AND ACTION REQUIRED</u>
1.	<p>Contract Monitoring Procedures:</p> <p>During 2012/13 and as part of the delivery of the annual audit plan, internal reviews identified a significant weakness with regard to the internal monitoring of Council key contracts with recommendations being made to improve internal procedures and processes. Action plans to address these weaknesses have been developed and further consideration of the issues have been debated by the Council's Corporate Risk Management Group. Relevant Directors will have regard to the issues raised when implementing any revised staffing structures. Completion of the</p>	<p>Deputy Chief Executive & Director of Local Environment</p>	<p>January 2014 (original deadline for consideration of formal 'follow up' review from Audit Services)</p>	<p>Completed:</p> <p>Staffing structures are now in place which enhances roles and responsibilities for the monitoring of outsourced contracts and regular progress meetings take place with relevant contractors.</p> <p>Specific training sessions were provided on Procurement and Contract Monitoring during March 2014; both of which were attended by relevant officers.</p> <p>Further Action:</p> <p>The formal follow up audits will be completed during 2014/15. The audit of Leisure Management is currently underway. Audit advice on the Recycling tender specification has been provided and the Audit Manager has met with new management in Waste Services to discuss the outcome of the previous audit</p>

	<p>action plans will be subject to a formal audit follow up during 2013/14 and be reported to and closely monitored by the Audit Committee.</p>			<p>and the required improvements to the contract monitoring arrangements. The formal audit of Recycling is scheduled for quarter 3; this provides sufficient time for the remaining service changes to be made and for improvements to embed. The results of these reviews will be reported to a future Audit Committee.</p>
2.	<p>Records Management:</p> <p>The Code of Practice FOI Section 46 should be adopted by the Council in line with recommended practice.</p> <p>Resources should be concentrated on establishing an Authority-wide Records Management Policy. This policy should comply with the requirements of relevant legislation and also embrace recommended practice.</p>	Chief Executive	March 2014	<p>Consultation on the draft Records Management Policy took place between January and March with staff.</p> <p>The new policy provides templates for records management in line with the Code of Practice.</p> <p>The policy forms part of the developing framework for authority-wide records management. The Corporate Programme Board approved a project that will take the framework forward, ensuring that the policy is implemented and deals with emerging issues.</p>