

Audit Committee

Date: Friday, 08 July 2022

Time: 10:00

Venue: Flensburg Room

Present: Councillor Robert Betton, Councillor Pamela Birks, Councillor Mrs Christine Finlayson, Councillor Neville Lishman, Councillor Mrs Linda Mitchell, Councillor Lucy Patrick

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

Officers: Town Clerk and Chief Executive
Head of Legal and Democratic Services
Head of Financial Services (Deputy S.151)
Head of Revenues and Benefits Services
Audit Services Manager
Infrastructure and Service Desk Manager
Public Sector Audit Senior Manager (Grant Thornton)

AUC.19/22 APPOINTMENT OF CHAIR

The Head of Legal and Democratic Services invited nominations for Chair of the Audit Committee.

It was moved and seconded that Councillor Patrick be appointed as Chair.

It was moved and seconded that Councillor Bomford be appointed as Chair.

The matter was put to the vote and the numbers for each proposal were equal.

The Head of Legal and Democratic Services advised that, as Members had not agreed a Chair of the Audit Committee for the municipal year the matter would be referred to Council for determination. Nominations for the appointment of Chair for the meeting were invited.

It was moved and seconded that Councillor Patrick be appointed Chair for the meeting.

Councillor Patrick thereupon took the Chair.

RESOLVED - 1) That Councillor Patrick be Chair of the Audit Committee for the current meeting.

2) That the appointment of Chair of the Audit Committee for the 2022/23 municipal year be referred to Council for determination.

AUC.20/22 APPOINTMENT OF VICE CHAIR

The Chair considered that the matter ought to be progressed at the next meeting of the Committee, the Committee indicated its assent.

RESOLVED - That the Audit Committee would appoint the Vice Chair at its meeting of 27 July 2022.

AUC.21/22 APOLOGIES FOR ABSENCE

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

AUC.22/22 DECLARATIONS OF INTEREST

In accordance with the Council's Code of Conduct the following declarations of interest were submitted:

- Councillor Patrick declared an interest in respect of item A.2(ii) - Internal Audit Report - Sands Centre Development. The interest related to a relative being employed on the Sands Centre Re-development Site.

AUC.23/22 PUBLIC AND PRESS

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

AUC.24/22 MINUTES OF PREVIOUS MEETINGS

RESOLVED - It was noted that Council, at its meeting of 26 April 2022, received and adopted the minutes of the meeting held on 23 March 2022. The Chair signed the minutes.

AUC.25/22 EXTERNAL AUDIT PLAN 2021/22

The Public Sector Audit Senior Manager (Grant Thornton), presented the external Audit Plan for Carlisle City Council for the year ended 31 March 2022.

Members' attention was drawn to the summary provided which included the four significant risks identified and progress against prior year audit recommendations. An overview of Key Matters including CIPFA consultations and changes to accounting practices were provided, along with matters relating to the Value For Money (VFM) conclusions and Materiality.

The Committee asked the following questions during discussion:

- Why had the Council's materiality been set at 1.9%?

The Public Sector Audit Senior Manager (Grant Thornton) explained that Materiality was usual set at 1 - 2% of an organisation's gross expenditure: a lower percentage equalling a greater likelihood of concerns.

In response to a Member noting the lack of audit information in report, the Chair explained that

the plan set out how the audit was to be carried out, the details of the external audit would be submitted to the Committee in due course.

RESOLVED – 1) That the External Audit Plan for 2021/22 be noted and received.

2) That the increase in the external audit fee of £2,500 be noted.

AUC.26/22 INTERNAL AUDIT PROGRESS (APRIL TO JUNE)

The Audit Services Manager submitted report RD.09/22 providing an overview of the work carried out by internal audit since the previous Audit Committee (17 March 2022) covering the end of the 2021/22 financial year and initial progress on the 2022/23 Internal Audit Plan.

Eleven full audit reviews had been completed and were provided for consideration by Members: Property Income; Sands Centre Development; Council Tax; Recycling (Performance Information); Development Management (Complaints); Future High Street Fund; Creditors; Main Accounting System; and Procurement (Counter-Fraud). ICT Recommendations and Cyber Security were submitted as private reports.

Updates were provided on the National Fraud Initiative, Revenues and Benefits, the Council's Business Continuity Plan and Building Maintenance and along with other areas that had utilised the Audit resource during the period.

In considering the Internal Audit Progress (April to June), Members raised the following question and comments:

- A Member commented that an audit of building maintenance would be useful as part of the Council's transition to unitary authority.

The Audit Services Manager advised that the Service Manager had requested that the planned audit which was to focus on compliance with legal requirements not be carried out at the scheduled time. He noted that another risk-based audit was planned within Property Services, where the Committee to require it, the Audit Plan may be amended to include building maintenance. Where that to be the case, the Audit Services Manager indicated either a full audit or a smaller piece of work in respect of insurance would be most useful.

The Chair requested that assurance be sought from the Service Manager that there was an appropriate overview of the Council's buildings and facilities.

Members discussed the Council's Asset Register, the Town Clerk and Chief Executive suggested that an Officer from the Property Services deliver an informal briefing for the Committee on the Register and the Asset Disposal Plan. The Chair welcomed the proposal.

The Chair observed that a number of audit recommendations remained to be implemented (Appendix B refers) and noted that the Committee had discussed the matter at its previous meeting.

The Audit Services Manager acknowledged the Chair's comments, noting there were a variety of factors impacting the implementation of audit recommendations. He added that, following the publication of the report, responses had been provided in respect of Revenues and Benefits and other areas.

The Head of Revenues and Benefits explained that implementation of recommendations had been delayed due to third party involvement, he went on to give an overview of the different

approaches to fraud investigation between the Council and DWP.

The Audit Services Manager then outlined, in some detail, each of the above-mentioned audits in turn highlighting, in particular, the context; key points; and associated recommendations.

RESOLVED - 1) That the Audit Committee:

- i) noted the progress against the audit plan 2021/22;
- ii) noted the progress against the audit plan for 2022/23;
- iii) note the progress made on recommendations to date outlined in Appendix B;
- iv) note the recent submission of responses to the outstanding recommendations by Revenues and Benefits;

2) That the Town Clerk and Chief Executive arrange an informal briefing for the Committee on the Asset Register and Asset Disposal Plan.

Members considered the following individual completed audit reviews:

Property Income

In relation to the charging of not re-charging insurance premiums to tenants, the Chair asked: how far back in time the issue went and the level of sums involved. She further questioned, given the error was the Council's responsibility, whether it was appropriate to seek to reclaim the monies?

The Head of Financial Services (Deputy S.151) responded that the audit had identified that the premiums had not been recharged to the tenants. Going forward the re-charges would be levied on the tenant via an annual invoice. The Council would not seek to reclaim the non recharged monies.

RESOLVED - That the audit report - Property Income be received and that the Audit Committee were assured that any financial loss to the Council was not significant.

Sands Centre Development

In response to a Member noting that the Project Board had not met since March 2021, the Audit Services Manager advised that weekly meetings of the Board were being held and that latterly minuting of those meetings had been reinstated.

The Audit Services Manager further advised that he would follow up on the following matters:

- The provision of staff appraisals and e-learning which he hoped to report back to the next meeting of the Committee;
- That the actions in relation to the audit recommendations had been met the implementation dates set out in Appendix A of the report.

RESOLVED - That the audit report - Sands Centre Development be received (RD.10/22)

Council Tax

The Head of Revenues and Benefits set out the process for sample checks following a question from a Member.

The Committee discussed the finalisation and publication of the draft Collection and Recovery Policy. The Town Clerk and Chief Executive advised that it was important to differentiate between policies which were adopted at Council and guideline documents that Officers worked

to in the delivery of their duties to ensure a consistent approach to service delivery. The draft policy was a guideline document, therefore the Town Clerk and Chief Executive was of the view that it did not require to be published.

RESOLVED - That the audit report - Council Tax be received (RD.11/22)

Recycling Performance

With regards to paragraph 5.3.4 of the report, a Member sought assurance that the Council was in receipt of the most update information regarding the CWR handling charges.

The Audit Services Manager confirmed that the Council did have up to date information and noted that that any future policy review would need to be based on evidence.

RESOLVED - That audit report - Recycling Performance be received (RD.21/22)

Development Management (Complaints)

A Member asked if it was anticipated that the level of complaints would reduce going forward.

The Head of Legal and Democratic Services responded that the increased level of complaints being attributed to the restrictions of the pandemic had been anecdotally observed. Often complaints arose when there was dissatisfaction with a decision of the Development Control Committee.

RESOLVED - That audit report - Development Management (Complaints) be received (RD.13/22)

Future High Street Fund

A Member sought assurance that the risk register for the project was reviewed on a regular basis.

The Audit Services Manager responded that the Risk Registers were reviewed on a quarterly basis. Furthermore, the Project Management Officer were found to be regularly using the Framework, but that activity would benefit from better documenting.

The Town Clerk and Chief Executive added that he considered such a two-phase approach an appropriate form of risk management. Due to increased workloads associated with Local Government Reorganisation, it was possible that the more strategic review work was not happening as frequently, however, he anticipated that use of the risk register would be included in day to day work.

RESOLVED - That audit report - Future High Street be received (RD.14/22) and that a clear focus on risk be maintained.

Creditors

The Chair invited the Head of Financial Services (Deputy S.151) to comment on the high graded recommendation in the report: 6 - Oversight of bank detail changes to verify the robustness of checks carried out. .

The Head of Financial Services (Deputy S.151) advised that system reports were used as the basis of verification work and sample checks were carried out. The system and the

independent verification thereon was considered to be working well. Furthermore, progress was being made in relation to each of the audit recommendations.

RESOLVED - That audit report - Creditors be received (RD.15/22)

Main Accounting System

Members welcomed the report.

RESOLVED - That audit report - Main Accounting System be received (RD.16/22)

Procurement (Counter-Fraud)

A Member commented that it was good practice to include created and review dates on the front cover of policy documents. The Town Clerk and Chief Executive undertook to look into the matter. The Chair commented that it would be useful for the process to be embedded prior to unitary authority.

RESOLVED - That the audit report - Procurement (Counter-Fraud) be received (RD.17/22).

AUC.27/22 INTERNAL AUDIT ANNUAL REPORT 2021/22

The Designated Head of Internal Audit submitted report RD.22/22, the purpose of which was to give his opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

The Designated Head of Internal Audit's opinion based on the completed audit work, was that Carlisle City Council's overall framework of governance, risk and internal control was reasonable and audit testing had confirmed that controls were generally working effectively in practice, although there were specific control concerns in relation to ICT services and general concerns about Council resources.

In his dual role as Head of Financial Services and Designated Head of Internal Audit, he could further confirm that his independence and that of Internal Audit had not been in any way diminished by that working arrangement (the External Quality Assessment 2018 and annual self-assessment confirmed that suitable arrangements were in place to maintain audit independence).

The Chair commented that, in relation to managers' capacity to implement audit findings being affected by Local Government Reorganisation, it was important that the Senior Management Team assisted in the creation of an appropriate balance. She further noted that it had been some time since the Committee had undergone an effectiveness self-assessment and suggested that consideration be given to one being undertaken in the future.

At the invitation of the Chair the Audit Services Manager explained the process and increased benefits of carrying out post audit satisfaction conversations as opposed to the circulation satisfaction surveys. The Head of Financial Services endorsed the approach adding that the conversation model added more value to the process, Members also indicated their support for the method.

RESOLVED - 1) That the Audit Committee noted:

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

AUC.28/22 INTERNAL AUDIT COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDITING STANDARDS (SELF ASSESSMENT)

The Audit Services Manager introduced internal Audit's self-assessment of compliance with the Public Sector Internal Auditing Standards for 2021/22 (RD.25/22).

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

The Internal Audit team had been subject to an external quality assessment of their compliance with the Public Sector Internal Audit Standards in April 2018. The assessment found that the department confirmed with all the standards and recommendations made following the review had been implemented. The department had also performance annual self-assessments against the Standards using a CIPFA checklist. The results of the assessment had been included as Appendix A along with improvement points which would be implemented during 2022/23.

The Chair commented that the report demonstrated the effect of the internal audit function and noted that it would be an important feature in 2022/23.

It was good practice for Audit Committee's to undertake an effectiveness self-assessment, the procedure for which was straightforward. The Chair proposed that an effectiveness self-assessment be arranged for the Committee in 2022/23, Members indicated their assent.

RESOLVED - 1) That the Audit Committee noted the findings and improvement actions outlined in the self-assessment attached at Appendix A of RD.25/22.
2) That an effectiveness self-assessment be arranged for the Committee in 2022/23.

AUC.29/22 HOUSING BENEFIT SUBSIDY 2020/21

The Head of Revenues and Benefits Services presented details of the completed audit of the Housing Benefit Subsidy Claim for 2020/21 undertaken by Mazars.

The Head of Revenues and Benefits reported that the DWP required the Council to engage a reporting accountant to review its administration of housing benefit awarded to claimants on an

annual basis using a standard methodology. Mazars had reviewed the Council's claim for housing benefit subsidy of £20.045m for the year ended 31 March 2021, including testing of individual cases and other related testing specified by the DWP. The summary from Mazars had been attached as Appendix A, the key outcomes to be noted were that there were no significant adverse findings and no impact on the £20.045m subsidy claimed by the Council.

A Member commended staff for no claims having been processed in error.

The Chair also welcomed the fantastic work done by the team and asked that the Committee's thanks be passed on to the team.

RESOLVED - 1) That the content of the Housing Benefit Subsidy Report be noted (RD.27/22).

2) That the Committee's commendation of the work carried out by the team be passed on to officers.

AUC.30/22 TREASURY MANAGEMENT OUTTURN 2021/22

The Head of Financial Services submitted the Annual Report on Treasury Management (RD.05/22), as required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The Executive and the People Panel had considered the matter on 25 May 2 and 9 June 2022 respectively and the decisions were set out in Minutes EX.72/22 and PEP.07/22.

Members welcomed the level of return realised by the Council's investments, particularly the property fund and thanked Officers for their hard work.

RESOLVED - That the Treasury Management Outturn Report 2021/22 (RD.05/22) be noted.

AUC.31/22 TECHNICAL UPDATE AND CONSULTATIONS

The Head of Financial Services presented an update on technical issues and consultations on financial and auditing subjects (RD.21/22).

The Head of Financial Services provided details on the Updated Public Works Loan Board; Capital Investment and Borrowing; Infrastructure Assets; Government response to local audit framework; and CIPFA's position Statement: Audit Committees in Local Authorities and Police 2022, along with the implications for the Council.

Members discussed valuation of the Council's assets and inflation and the impact on the gearing position.

The Head of Financial Services set out the process for asset valuations and that although the Council had identified a borrowing requirement, actual borrowing was still very low when compared to the asset base.

The Chair commented that the approach was standard procedure subject to Minimum Revenue Provisions being met.

RESOLVED - That the Audit Committee noted the update on consultations and technical issues (RD.21/22)

AUC.32/22 PUBLIC AND PRESS

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

AUC.33/22 INTERNAL AUDIT REPORT - ICT RECOMMENDATIONS

(Public and Press excluded by virtue of Paragraph 3)

The Audit Services Manager submitted the Internal Audit Progress 2021/22 follow up review of ICT Recommendations (RD.19/22). The audit had been a follow up on recommendations made at a previous audit of ICT and had been undertaken in line with the agreed Internal Audit Plan for 2021/22. The audit provided partial assurances and included recommendations.

The Audit Services Manager advised that an early draft version of the report had been circulated which did not contain an updated action plan. Members were given a verbal update regarding the action plan and the Audit Services Manager undertook to circulate to the Committee the updated report.

The Committee then discussed a number of matters set out in the report in detail and asked questions and sought assurance from Officers. Members noted the importance of the work of Officers and the constraints they had been working within.

RESOLVED - That the Internal Audit Report - ICT recommendations be received (RD.19/22)

AUC.34/22 INTERNAL AUDIT REPORT - CYBER SECURITY

(Public and Press excluded by virtue of Paragraph 3)

The Audit Services Manager submitted the Internal Audit Progress 2021/22 review of Cyber Security (RD.20/22).

The Audit Services Manager reported that an audit of Cyber Security had been undertaken by Internal Audit in line with the agreed Internal Audit Plan for 2021/22. The audit provided partial assurances and included recommendations.

The Committee then discussed a number of matters set out in the report in detail and asked questions and sought assurance from Officers. Members noted the importance of the work of Officers and the constraints they had been working within.

RESOLVED - That the Internal Audit Report - Cyber Security be received (RD.20/22)

The Meeting ended at: 13:00

Audit Committee

Date: Wednesday, 27 July 2022

Time: 10:00

Venue: Flensburg Room

Present: Councillor Robert Betton, Councillor Pamela Birks, Councillor Jeffrey Bomford, Councillor Mrs Christine Finlayson, Councillor Neville Lishman, Councillor Mrs Linda Mitchell, Councillor Ruth Alcroft (for Councillor Lucy Patrick)

Also Present: Councillor Ellis, Finance, Governance and Resources Portfolio Holder
Ms Philp, Senior Manager, Grant Thornton

Officers: Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Head of Financial Services (Deputy S.151)

AUC.35/22 APPOINTMENT OF VICE CHAIR

The Chair sought nominations for the appointment of Vice Chair of the Audit Committee for 2022/23.

It was moved, seconded and

RESOLVED - That Councillor Mrs Finlayson be appointed Vice Chair of the Audit Committee for the 2022/23 municipal year.

AUC.36/22 APOLOGIES FOR ABSENCE

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

AUC.37/22 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

AUC.38/22 PUBLIC AND PRESS

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

AUC.39/22 MINUTES OF PREVIOUS MEETING

RESOLVED - That the approval of the minutes of the meeting held on 8 July 2022 be deferred to the next meeting of the Audit Committee.

AUC.40/22 EXTERNAL AUDITOR'S PROGRESS REPORT AND SECTOR UPDATE

The Senior Audit Manager, Grant Thornton introduced herself to the Committee giving an outline of her experience in the sector.

The Senior Audit Manager reported that the External Audit was now underway, and as previously reported, there were three significant risks. Once completed the Audit would be presented to the Committee.

The Committee sought clarification with regard to the confidence in the increased valuation for assets. The Senior Audit Manager confirmed that the valuation of assets was a significant risk across all local authorities due to the pandemic and the current economic climate. She assured the Committee that the Audit would robustly challenge the work of the valuer.

The Head of Financial Services added that the Council undertook an annual valuation with an external valuer, a national valuer was used, and the valuation process was the same across the country, he confirmed that he had confidence in had the valuations had been undertaken.

A Member highlighted the Local Government Reorganisation process and questioned how this would impact on External Audit. The Senior Audit Manager reported that their role as external auditors would change over the coming months, currently their responsibility was to ensure the 2021/22 audit was complete for hand over to Cumberland Council. Grant Thornton would have to understand the process and challenges moving forward and audits would increase in complexity and size, the first year was a significant task for audit and financial services.

The Corporate Director of Finance and Resources reminded the Committee that the PSAA contract would end in 2023 and would be subject to a tender process. The role and responsibility of internal audit would remain the same. In response to a question the Corporate Director confirmed that the City Council Internal Audit team was fully resourced and she had not been advised of any resources gap or potential slippage. She added that the Cumberland Council would be required to close the 2022/23 accounts for the sovereign Councils and structures and resources would be a matter for the new Section 151 officer.

RESOLVED - That the Senior Audit Manager, Grant Thornton, be thanked for her update.

AUC.41/22 DRAFT STATEMENT OF ACCOUNTS 2021/22

The Head of Financial Services (Deputy S.151) submitted the draft Statement of Accounts 2021/22 (RD.29/22).

The Head of Financial Services reported that the Council's Statement of Accounts 2021/22 (subject to Audit) had been certified by the S.151 Officer in accordance with the revised Statutory requirements. The Accounts would be subject to audit, which must be concluded by the statutory dealing of 30 November 2022. Key issues included within the 2021/22 Statements were highlighted within the report.

- In response to questions the Head of Financial Services clarified the following:

- Should Tullie House be transferred as a Community Asset Transfer, the collection would remain the property of the City Council, the ownership would then transfer to Cumberland Council;
- One investigation was underway regarding whistle blowing, the Audit Services Manager would be asked to provide information on any assurances given;
- The finds from the Cricket Ground had not been included in the Tullie House collection for balance sheet or insurance purposes.

In discussing the report Members raised the following:

- A Member asked for clarification on the deficit on the local government pension scheme and the impact it would have on employees.

The Head of Financial Services explained the process for the determination of the fund, clarifying that the paragraph in the report referred to employer contributions. There would be no impact on employee contributions or on their final pension.

The Corporate Director of Finance and Resources informed the Committee that the deficit had been reduced since the last valuation and savings had been built into the budget based on the level of investment return.

- There was some concern that the building maintenance costs had not been included, a Member sought assurances that the work would be undertaken.

The Head of Financial Services reminded the Committee that the Asset Management Plan detailed the maintenance backlog on buildings, Property Services then built in the maintenance as required. The Corporate Director of Finance and Resources added that a budget for maintenance and repairs had been included in the revenue and capital budgets and was available for any repairs required.

- Had the rise in energy costs impacted the Council's budget and could resources be found to support Communities Centres with their rising costs?

The Corporate Director of Finance and Resources informed the Committee that increases to energy costs had been included in the budget, however, the increases may be more than budgeted for. Referring to the Community Centres, the Corporate Director explained that the Centres received a recurring contribution from the Council, however, no assurances could be given for the Cumberland Council budget.

RESOLVED – That the Audit Committee:

- (i) noted that the 2021/22 Statement of Accounts had been certified as giving a true and fair view by the Corporate Director of Finance and Resources and they would now be subject to audit;

- (ii) noted that the internal quality review of the accounts was still ongoing and that the accounts may be re-authorised for issue prior to the statutory deadline if required;

- (iii) confirmed that the Committee had been appropriately briefed on how accounting estimates were used.

AUC.42/22 DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

The Corporate Director of Finance and Resources reported that the Draft Annual Governance Statement (subject to audit) for 2021/22 had been certified by the Council's S.151 Officer, Chief Executive and Leader, in accordance with statutory requirements (RD.30/22). The Statement would be formally approved following the completion of the audit process.

The Corporate Director stated that there were no areas of weakness which needed to be brought to Members attention.

RESOLVED -That the Audit Committee noted the contents of the 2021/22 Draft Annual Governance Statement, noting that the Statement would accompany the annual Statement of Accounts following the audit process.

The Meeting ended at: 10:47