

Report to Audit Committee

Agenda
Item:

A.7

Meeting Date: 18 December 2020
 Portfolio: Finance, Governance and Resources
 Key Decision: Not applicable
 Within Policy and
 Budget Framework YES
 Public / Private Public

Title: INTERNAL AUDIT REPORT CARLISLE PARTNERSHIP
 Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
 Report Number: RD49/20

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress and considers the review of the Carlisle Partnership

Recommendations:

The Committee is requested to

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

Tracking

Audit Committee:	18 December 2020
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 An audit of the Carlisle Partnership was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2020/21. The report, appended as Appendix A of this report was found to provide reasonable assurances and contains 5 medium graded recommendations.

2. RISKS

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

3. CONSULTATION

- 3.1 Not applicable

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is asked to

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

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

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Appendixes

**APPENDIX A - INTERNAL AUDIT
REPORT CARLISLE PARTNERSHIP**

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

- None

CORPORATE IMPLICATIONS/RISKS:

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

Finance – Contained within the report

Equality – None

Information Governance – None

Audit of Carlisle Partnership Value-For-Money

Draft Report Issued: 13 November 2020
Director Draft Issued: 02 December 2020
Final Report Issued: 02 December 2020



Audit Report Distribution

Client Lead:	Partnership Manager
Chief Officer:	Deputy Chief Executive Chief Executive
Audit Committee:	The Audit Committee, which is due to be held on 18 th December 2020 will receive a copy of this report.

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

1.0 Background

- 1.1. This report summarises the findings from the audit of the Carlisle Partnership. This was a value-for-money internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30th July 2020.
- 1.2 The Carlisle Partnership is a forum for key organisations from the public, private and charity sectors to work together to achieve an agreed over-arching objective to “*fight the corner for Carlisle, influencing existing partnerships (whilst carefully avoiding duplication), delivering shared priorities for the City that would not be addressed in other ways, and building relationships that will form the basis for highly effective future collaboration.*”

2.0 Audit Approach

Audit Objectives and Methodology

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

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Partnership Manager and the agreed scope was to provide independent assurance over management’s arrangements for ensuring effective governance, risk management and internal controls of the following risks:
- The City Council fails to achieve / demonstrate value for money from the activity of the Carlisle Partnership
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).
- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Carlisle Partnership provide **Reasonable assurance**. *Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

4.0 Summary of Recommendations, Audit Findings and Report Distribution

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

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

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

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

There is evidence the Partnership achieves value for money through undertaking significant activity to achieve a shared top-level objective to improve life for the people of Carlisle. However, the Partnership does not have an up to date, agreed strategy in place with agreed shared objectives and priorities, limiting the opportunity to measure the success of partnership activity and the extent of value added.

It is acknowledged that significant activity has taken place to prepare a strategy and the development of co-chairs with individual responsibilities partly mitigates against the lack of strategy. However, the most significant risks to the partnership centre around the resourcing and achievement of shared objectives, making implementation of both strategy and a framework to measure progress against the strategy once agreed is a top priority.

The Partnership hold regular meetings, which are well attended and activity and discussion is appropriately documented. The development of an action tracker would ensure all agreed actions are completed in a timely manner.

There is a need for the existing risk register to be updated in line with the new strategy to ensure the risk of not achieving shared objectives is appropriately managed. The Partnership should have responsibility for jointly identifying, assessing, mitigating and monitoring the risk register.

There is also a need for the Partnership to review it's use of resource against it's intended objectives to ensure sufficient shared resource is utilised to achieve these in a controlled manner.

Comment from the Deputy Chief Executive

This internal audit report has provided some useful recommendations for both the City Council and partners to consider an act upon. We are grateful for the assurance this provides and the clarity of the report recommendations.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** Historically, the Partnership had a Community Plan in place, setting out shared objectives and priorities for the Partnership; however, this plan expired in 2017.
- 5.1.2** The need to prepare an updated plan has been recognised as a priority for the Partnership, including being listed as the top priority within the City Council's own internal Service Plan for the partnership in 2019/20. It is noted that an updated Service Plan has not been completed for many Council services as a result of the timing of the Covid-19 global pandemic i.e. Service Plans are usually prepared in March.
- 5.1.3** The Partnership has engaged in significant activity to prepare a new strategy. Workshops have taken place to develop a Prioritisation Plan that includes significant analysis and a situational analysis of the Carlisle district, resulting in the over-arching agreed shared priority listed at paragraph 1.2.
- 5.1.4** In addition, the Partnership Manager has identified six high level objectives for the Partnership and established co-chairs from different organisations within the partnership to take a lead role in responsibility for each objective.
- 5.1.5** Progress against completing the new plan/strategy has been delayed due to Covid-19 global pandemic, as meetings have been cancelled and the Partnership Manager has been supporting emergency planning work. The Partnership Manager has begun drafting a new strategy, mapping objectives against the individual co-chair's areas of responsibility.
- 5.1.6** Risks included in the Council's internal risk register centre around the use of resource and strategic commitment to shared objectives. Mitigating controls for the risks rely on the Partnership having shared and agreed objectives. While there is evidence of the partners working towards shared objectives, the lack of a shared strategy increases exposure to these risk areas, making it essential the shared strategy is finalised.

Recommendation 1 – Work to complete the Partnership's plan/strategy, specifying shared objectives and priorities should be finalised.

- 5.1.7** Regular meetings take place which monitor Partnership activity; however, given there is no approved strategy with shared objectives and priorities, it automatically follows there is no formal monitoring of performance against shared priorities.

- 5.1.8** The Partnership has used a number of key indicators relating to health and the economy, which benchmark Cumbria against national and regional performance, to help define current priorities. However, while these indicators are useful to identify areas where Cumbria can improve, they are too high a level to measure achievement of refined priorities and objectives.
- 5.1.9** Once priorities and objectives are agreed there is a need to identify a way to monitor progress against their achievement, using a combination of narrative and quantitative analysis (such as performance indicators).
- 5.1.10** Historically the Partnership also held an Annual General Meeting and prepared an annual report of Partnership activity. This has not been produced in recent years due to limited resource, though it is noted a Partnership update was presented to the Executive in December 2019 outlining key activity undertaken. A proposition paper produced by the Partnership Manager also includes some reporting of action against priorities. While it may not be possible to re-introduce the Annual Meeting and Report to the same extent as previous with less resource, consideration should be given to including some form of annual assessment to help define and refine strategic objectives.
- Recommendation 2 – Once an approved strategy with agreed shared objectives and priorities has been established a framework for measuring progress against objectives should be designed and monitored by the Partnership on a regular basis, using a combination of narrative and quantitative measures.**
- 5.1.11** A partnership Executive is in place, managed by the Partnership Manager and co-chaired by the six co-chairs (see above). Meetings are attended by a variety of representatives from organisations considered key stakeholders within the Carlisle area.
- 5.1.12** The Partnership met quarterly until March 2020, when activity was halted by the global pandemic. Regular newsletters have been issued to members in the meantime to keep partners up to date on relevant issues. Informal feedback indicates these updates have been well received. The Partnership also has a website in place that includes details of news and events, but this has not been updated for some time and is out of date.
- 5.1.13** Meetings are generally well attended by appropriate representatives on a regular basis, including the appointed co-chairs. However, it was identified that attendance from two key partners (Cumbria County Council and NHS) was limited. The Partnership Manager is aware of this and continues to engage with both partners in order to develop their involvement within the Partnership.

5.1.14 Meetings are well documented and as a rule actions are followed up on a regular basis. However, a review of minutes identified that on occasion actions can disappear before they are confirmed as resolved. Issues such as developing a strategy and reviewing the risk register have been raised in meetings without subsequent follow-up.

5.1.15 It is advised that an action tracker is implemented for the meetings to ensure all agreed actions are only closed when completed or considered no longer necessary.

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

5.2.1 A risk register is in place for the Partnership in line with the Council's risk management framework. The register is an internal document, owned and updated by the Partnership Manager on behalf of the City Council. The register has not been presented to the Partnership Executive, though it is noted a request was made to see the register in March 2019.

5.2.2 Given the risks are collectively owned by the partners, shared responsibility for monitoring and updating the register should be established.

5.2.3 As identified above several the existing mitigating controls are not fully embedded, due to the lack of a formal strategy. There is a need to review and update the risk register once the strategy has been approved.

5.2.4 Suggested improvements to the register, made by the Council's operational risk working group in January 2019 have not been implemented.

Recommendation 3 – Once the Partnership's strategy has been agreed the risk register should be reviewed to ensure it includes all risks relevant to the achievement of agreed shared objectives.

Recommendation 4 – The register should be owned, assessed, monitored and updated collectively by the full Partnership Executive on a regular basis.

5.3 Value – effectiveness and efficiency of operations and programmes

- 5.3.1** Carlisle City Council are currently the only partner to contribute financially to the Partnership. Other partners contribute their time in attending meetings and preparing funding applications, alongside other in-kind contributions such as provision of venues for the meetings and provide expertise in their relevant areas.
- 5.3.2** The majority of administration and monitoring of the Partnership is carried out by the Partnership Manager. While the audit recognises all resource is finite, the lack of an effective strategy makes it difficult to assess what the priorities should be addressed by the limited available resource, though it is clear certain elements of activity would benefit from some attention.
- 5.3.3** Should the Partnership collectively wish to increase its impact and deliver objectives there is a need for all partners to assess the time and resource it wishes to contribute towards achieving agreed objectives. These considerations would be best placed within the Partnership's strategy, specifying how it intends to achieve agreed shared objectives (including ensuring suitable administrative support to ensure a sound system of Governance, Risk Management and Internal Control)

Recommendation 5 – The Partnership should determine its current priorities and review the level of resource and activity required from all partners to achieve these in a suitably controlled, risk managed manner.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 - Work to complete the Partnership's plan/strategy, specifying shared objectives and priorities should be finalised.	High	Failure to achieve objectives due to lack of strategy in place to ensure progress is made to achieve priorities.	A "State of the Place" session was held with partners in October 20. It was felt given the nature of the situation a short term plan (6-12 months), should be developed (recognised by partners and the DCE). This would then allow for recovery to be considered as we come out of the pandemic.	Partnership Manager	31 March 2021
Recommendation 2 – Once an approved strategy with agreed shared objectives and priorities has been established a framework for measuring progress against objectives should be designed and monitored by the Partnership on a regular basis, using a combination of narrative and quantitative measures	Medium	Failure to ensure suitable progress being made to achieve priorities.	Options to be discussed as part of preparation of Strategy, including potential Task and Finish Group and further consultation with Internal Audit.	Partnership Manager	31 June 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 – Once the Partnership's strategy has been agreed the risk register should be reviewed to ensure it includes all risks relevant to the achievement of agreed shared objectives.	Medium	Emergence of unexpected and unmitigated risks.	Task and finish group to be established to review existing register and then become regular agenda item at a future meeting	Partnership Manager	30 June 2021
Recommendation 4 – The register should be owned, assessed, monitored and updated collectively by the full Partnership Executive on a regular basis.	Medium	Failure of Partnership to take joint responsibility of achievement of shared objectives.	Register currently reviewed by Partnership on a quarterly basis. Identify a co-chair who can support / lead on risk and assist with regular checks / updates.	Partnership Manager	30 June 2021
Recommendation 5 – The Partnership should determine its current priorities and review the level of resource and activity required from all partners to achieve these in a suitably controlled, risk managed manner.	Medium	Failure to achieve objectives due to a lack of resource	To be discussed with Partnership Executive in terms of both resourcing development of a strategy and delivery of the strategy going forward.	Deputy Chief Executive	31 March 2021

Appendix B - Audit Assurance Opinions

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

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

Appendix C

Grading of Audit Recommendations

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

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

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