

Audit Committee

Date: Wednesday, 23 March 2022

Time: 14:00

Venue: Flensburg Room

Present: Councillor Pamela Birks, Councillor Neville Lishman, Councillor Keith Meller,
Councillor Mrs Linda Mitchell, Councillor Lucy Patrick

Also Present: Councillor Ellis - Finance, Governance and Resources Portfolio Holder

Officers: Corporate Director of Finance and Resources
Corporate Director of Governance and Regulatory Services
Financial Services Manager (Deputy S.151)
Revenues and Benefits Manager
Principal Auditor
Manager, Audit (Grant Thornton)

AUC.01/22 APOLOGIES FOR ABSENCE

An apology for absence were submitted on behalf of the Director, Audit (Grant Thornton).

AUC.02/22 DECLARATIONS OF INTEREST

No declarations of interest were submitted.

AUC.03/22 PUBLIC AND PRESS

RESOLVED - That the Agenda be agreed as circulated.

AUC.04/22 MINUTES OF PREVIOUS MEETINGS

RESOLVED - It was noted that Council, on 4 January 2022, received and adopted the Minutes of the meetings held on 11 November and 10 December 2021. The Chair signed the minutes.

AUC.05/22 MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL

The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 7 December 2021, 6 January and 24 February 2022 were submitted for information.

In response to a reference to the meeting held on 6 January 2022 where the Business and Transformation Scrutiny Panel had resolved to recommend to the Monitoring Officer that the Council's Constitution be amended to enable the implementation of a two panel scrutiny

structure, a Member asked whether the proposal would be a risk to the Council's governance structures?

The Corporate Director of Governance and Regulatory Services responded that the proposal was to create two panels, plus an ad hoc panel to scrutinise the Council's Budget process; given the reorganisation of local government in Cumbria, meant the changes were not a significant concern.

RESOLVED – That the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 7 December 2021, 6 January and 24 February 2022 be noted.

AUC.06/22 AUDITOR'S ANNUAL REPORT ON CARLISLE CITY COUNCIL

The Manager, Audit (Grant Thornton) submitted the Auditor's Annual Report on Carlisle City Council. Overall, the Council had performed well with no significant risk being identified during the audit process; a small number of improvement recommendations had been made relating to financial sustainability and governance. No concerns had been identified in respect of Covid 19 grants.

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

- The Minimum Reserves provision was at the lower end of the agreed acceptable scale, were Officers comfortable with that position

The Manager, Audit (Grant Thornton) stated that the Corporate Director of Finance and Resources had indicated she was confident with the Council's financial position.

In response to a further question from the Member regarding the acceptability of the Reserves in the context of Local Government Reorganisation in Cumbria (LGR), the Corporate Director of Finance and Resources explained that each district council determined its own minimum reserve level. She gave an overview of the factors that would need to be addressed in bringing the finances of the relevant individual councils and the processes used to achieve that. The expected time frame for realising financial benefit from LGR was three to seven years.

- In relation to contract tenders, was it still necessary for the Council to consult the Official Journal of the European Union?

The Manager, Audit (Grant Thornton) confirmed that the requirement remained in place until the relevant Statute was amended in 2023.

- Had the recommendation that the Council complete the CIPFA checklist been actioned?

The Head of Financial Services & Designated Head of Internal Audit confirmed that the checklist had been completed and that a report on the matter would be submitted to the July 2022 meeting of the Committee.

- On page 46 of the document pack, the report stated that the External Auditor was "*not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness ...*"; the following page stated that it was a requirement of the External Auditor.

The Manager, Audit (Grant Thornton) confirmed there was a typographical error in the report and undertook to confirm the External Auditor's duties in relation to the matter. She noted that

no concerns had been identified in respect of Economy, Efficiency and Effectiveness or Covid 19.

A member welcomed the new report format which she felt brought the information to light. The depth of the audit had provided reassurance to Members.

RESOLVED – That the Audit Committee welcomed the Auditor's Annual report on Carlisle City Council and acknowledged the positive content therein.

AUC.07/22 EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Manager, Audit (Grant Thornton) submitted the Auditor's Audit Progress Report and Sector Update. The report set out the set out the external auditor's progress in delivering its responsibilities and included a summary of emerging national issues and developments.

RESOLVED - That External Audit Progress Report and Sector Update be noted.

AUC.08/22 AUDIT COMMITTEE ANNUAL REPORT 2021/22

The Chair presented report RD.74/21, which summarised the work carried out by the Audit Committee during 2021/22; and to demonstrate to Council and stakeholders the effectiveness of the Committee in maintaining the organisation's internal control environment and governance arrangements.

A Member proposed the following amendments to the report:

Paragraph 2.3.2, that the final sentence be amended to stipulate when the External Auditor's judgement was considered.

Appendix B be updated to note that the Committee returned to in person meetings in May 2022.

The Chair undertook to incorporate the changes.

RESOLVED – 1) That the following amendments be made to the Audit Committee Annual Report 2021/22:

- i) Paragraph 2.3.2, that the final sentence be amended to stipulate when the External Auditor's judgement was considered;
- ii) Appendix B be updated to note that the Committee returned to in person meetings in May 2022.

2) That the Annual Report of the Audit Committee, which would be submitted to the City Council on 26 April 2022, be noted and accepted.

AUC.09/22 INTERNAL AUDIT PROGRESS 2021/22 (DECEMBER 2021 TO FEBRUARY 2022)

The Audit Services Manager submitted the Internal Audit Progress 2021/22 (December 2021 - February 2022) report (RD.80/21). The report provided an overview of the work carried out by Internal Audit between December 2021 and February 2022 along with information regarding: progress against the agreed Audit Plan, performance indicators, previous audit

recommendations, and the amendments to the Internal Audit Plan.

In relation to the implementation of previous audit recommendations it was noted that of 74 actions 21 had been completed. The matter was a growing concern and the Senior Management Team had been made aware it. The forthcoming reorganisation of local councils in Cumbria was another layer of risk exposure in respect of the outstanding actions some of which were due to be implemented during the reorganisation phase.

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

The Chair and Vice Chair expressed strong concerns in relation to the proportion of recommendations following audit not being implemented, as that was a critical element in the Council's management of its exposure to risk; in their view it was vital that key recommendations were actioned in a timely manner. The Vice Chair proposed that the Committee's concerns be brought to the attention of the Senior Management Team (SMT) with a request that it take robust action to address the matter via a balanced risk based approach and, that a report be submitted to the next meeting of the Committee detailing the progress made. The Committee indicated its assent to the proposal.

The Corporate Director of Finance and Resources noted that the Audit Services Manager has developed a new process for keeping SMT aware of the progressing of audit recommendations. The application of a risk based approach was welcomed along with a need for Officers to set out the risks of not implementing an audit recommendation. The Corporate Director appreciated that managers may have a number of conflicting work priorities, but felt it was important that consideration was given to the likely implementation of high grade recommendations.

RESOLVED - That the Audit Committee:

- 1) Ask the Senior Management Team to take robust action to address the low level of implementation of audit recommendations and provide a report to the next meeting of the Committee setting out progress made;
- 2) noted the progress against the Audit Plan for 2021/22;
- 3) received the final audit assignments as outlined in paragraph 2.2 of report RD.80/21;
- 4) noted the progress made on audit recommendation to date outlined in Appendix B.

AUC.10/22 INTERNAL AUDIT REPORT – WORKFORCE DEVELOPMENT

The Principal Auditor submitted the Internal Audit Report - Workforce Development (RD.82/21). The audit had provided reasonable assurances and generated 4 medium graded recommendations which the Officer provided an overview of.

RESOLVED - That the final audit - Workforce Development report be received (RD.82/21).

AUC.11/22 INTERNAL AUDIT REPORT – FINANCIAL SERVICES GOVERNANCE ARRANGEMENTS

The Audit Services Manager submitted the Internal Audit Report - Financial Services Governance Arrangements (RD.83/21). The audit had provided reasonable assurances and generated 5 medium graded recommendations which the Officer provided an overview of.

In considering the report, Members raised the following questions / comments:

- In relation to Recommendation 4, a Member commented that it was important that staff confirmed that they had read and understand good practice material in relation to protecting sensitive information.

The Head of Financial Services & Designated Head of Internal Audit (Deputy S.151) advised that the reminder issued to staff required them to confirm they had read and understood the information.

The Audit Services Manager added that an outstanding recommendation from a previous audit had identified that, given the changes to working practices as a result of Covid 19, the authority's Homeworking Policy, which would address the concerns raised more formally. Discussions with responsible manager identified an initial reluctance to undertake a full review of the Policy due to LGR, but following feedback from the Senior Management it was deemed that updated formal guidance should be issued to all staff. In terms of risk exposure, the Audit Services Manager was of the view that the policy was needed to comply with the records management policy.

- Had the funding to secure additional staffing resource been utilised?

The Head of Financial Services responded that the additional funding had been secured in respect of the Economic Development Programme Management Office to support its accounting and procurement procedures and that consideration was being given as to the best method of delivering that resource.

The Chair further asked whether Local Government Reorganisation (LGR) was likely to impact staff recruitment?

In relation to funding the additional staff resources referred to in the report, the Head of Financial Services & Designated Head of Internal Audit (Deputy S.151) stated that the positions would be offered on a fixed term basis extending beyond LGR.

The Corporate Director of Finance and Resources added that staff resource would be TUPE'd to the new Cumberland Council.

- Had all staff appraisals been completed by the deadline?

The Head of Financial Services & Designated Head of Internal Audit (Deputy S.151) confirmed that all appraisals had been completed.

- What impact had LGR had on the e-purchasing project?

The Head of Financial Services & Designated Head of Internal Audit (Deputy S.151) gave an overview of the project and explained that LGR would require a harmonisation of systems from the existing councils to the new unitary authority, as such to progress with the project at the

current time may not be an effective use of resources. Moreover, staff resource was needed to implement the delivery of LGR.

The report noted that "reference to the migration of data to cloud servers, which has not progressed due to resource issues within ICT service", how close was the IT service to being fully staffed?

The Audit Services Manager responded that an attempt to recruit to the vacant posts had been unsuccessful, therefore consideration was being given to other methods to fill the positions.

RESOLVED - That the final audit - Financial Services Governance Arrangements report be received (RD.83/21).

AUC.12/22 INTERNAL AUDIT REPORT – COVID-19 GRANT PAYMENTS

The Audit Services Manager submitted the Internal Audit Report - Covid 19 Grants Payments (RD.84/21). The audit had provided partial assurance and generated 2 high graded recommendations which the Officer provided an overview of.

In considering the report, Members raised the following questions / comments:

- Was it possible to assess what level of fraud may have occurred if no documents were returned, and what improvements could be made in future?

The Audit Services Manager advised that the post assurance work would need to be completed to enable a fuller understanding of the situation. It was important to ensure that control checks were in place and that they were accurately recorded. Paragraph 5.1.2 of the report set out a number of areas of consideration to focus assurance work on higher risk areas.

The Member sought confirmation from the Head of Revenues and Benefits Services that the work had been actioned.

The Head of Revenues and Benefits Services acknowledged that the audit paper trail was not present. He explained that the Council's systems already contained data in relation to businesses eligible for Rate Relief based on previously undertaken assessments, as the Revenues and Benefits Service was responsible for delivering that aspect of the Council's work. On that basis he was confident that the dispatch of grants to businesses had been appropriate.

The Corporate Director of Governance and Regulatory Services added that the Revenues and Benefits team had done great work under a tremendous amount of pressure. The Council had in the disbursement of the grants focussed on ensuring the work was undertaken correctly rather than too quickly. The audit had set out areas for improvement in terms of generating an audit trail, however no indication of errors having taken place had been identified.

A number of Members expressed their thanks to the Head of Revenues and Benefits Services for his team's work in delivering the Covid 19 Grant Scheme in exceptional and challenging circumstances.

A Member agreed with the sentiments, but also felt that recommendations set out in the report were valuable.

The Corporate Director of Finance and Resources noted that the schemes that were subject of the audit had now ended, but that other which would run up to September 2023 were now live. In terms of assurance checks, two out of three had been reconciled, and a sample check had not raised any issues.

RESOLVED - 1) That the final audit - Covid 19 Grants Payments report be received (RD.84/21).

2) That the Revenues and Benefits Team be thanked for their work delivering the Covid 19 grants in a time of exceptional and challenging circumstances.

AUC.13/22 INTERNAL AUDIT PLAN 2022/23

The Audit Services Manager submitted the annual risk-based audit plan and charter for approval by the Audit Committee (RD.79/21). The report provided the proposed audit plan and charter for 2022/23

The Audit Services Manager advised the Committee that he was soon to be vacating the post to take up employment elsewhere, however, he would continue to support the authority as a Shared Manager with two other Cumbrian Districts.

Members discussed factors related to the recruitment of auditors including graduates and homeworking.

A Member welcomed the Plan for the coming year and asked whether training for Members prior to meetings of the Committee may be reinstated.

The Corporate Director of Finance and Resources agreed to develop a programme of training for Members and indicated that a session may be delivered prior to the next meeting of the Committee on the Effectiveness Review training programme.

RESOLVED - That the Audit Committee:

- 1) approved the 2022/23 Internal Audit Plan which was attached as appendices A - C of Report RD.79/21 with a minimum deliverable Audit Days of 404 days (Appendix A - option 1)
- 2) approved the Internal Audit Charter for 2022/23 attached as Appendix D.
- 3) That the Corporate Director of Finance and Resources develop a programme of training for the Audit Committee for 2022/23.

AUC.14/22 TREASURY MANAGEMENT OCTOBER - DECEMBER 2021

The Corporate Director of Finance and Resources submitted the Treasury Management October - December 2021 (RD.72/21) which provided a quarterly report on Treasury Transactions along with an interim report on Treasury Management as stipulated in the Financial Procedure Rules. The Council's Treasury Management estimates for 2022/23 with projections to 2026/27 were set out in the report along with the requirement of the Prudential Code on Local Authority Capital Finance.

A Member noted that the level of return on the property fund was positive.

RESOLVED - That the Treasury Management Report October - December 2021 (RD.72/21) be noted.

AUC.15/22 TECHNICAL UPDATE AND CONSULTATIONS

The Head of Financial Services & Designated Head of Internal Audit (Deputy S.151) provided an update on technical issues and consultations on financial and auditing matter of relevance to the Council (RD.79/21).

The report set out the open consultations and an outline of responses. The full responses from Link, the Council's Treasury Management Advisor, had been included as a separate, private report in a later item on agenda.

In considering the report, Members raised the following questions / comments:

- Was it beneficial for up to date valuations

The Head of Financial Services & Designated Head of Internal Audit (Deputy S.151) replied that given the value of the Council's asset portfolio was around £150M, professional valuations linked to the appropriate industrial index was very useful and was a practice the Council would continue to deploy.

RESOLVED - That the Audit Committee noted the Technical Update and Consultations (RD.79/21).

AUC.16/22 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 item of business on the grounds that it involved the likely disclosure of exempt information as defined in the paragraph number (as indicated in brackets against the minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.

AUC.17/22 TECHNICAL UPDATE AND CONSULTATIONS: APPENDICES

(Public and Press Paragraph 3)

The Head of Financial Services & Designated Head of Internal Audit submitted the appendices in relation to the consultation responses prepared by Link, the Council's Treasury Management advisors.

RESOLVED - That the Audit Committee noted the responses from Link, the Council's Treasury Management advisors to the consultations issued (RD.76/21).

AUC.18/22 RISK BASED VERIFICATION POLICY REVIEW

The Head of Revenues & Benefits Services presented an update on the amendment of the Risk based Verification Policy for Housing Benefit administration. (RD.81/21)

The Head of Revenues & Benefits Services reported that the Audit Committee had approved the Risk Based Verification (RBV) Procedure in 2017 in order to comply with DWP guidelines. The Revenues & Benefits Operations Manager set out the proposed amendments to the Procedure and the reasons for the changes.

RESOLVED - That the Audit Committee approved, with immediate effect, the risk based approach to the administration of Housing Benefit by implementing the revised Risk Based Verification in Carlisle. The Committee noted the Section 151 Officer's recommendation and agreement contained within report RD.81/21.

The Meeting ended at: 15:18