

# AGENDA

## Audit Committee

**Wednesday, 23 March 2022 AT 14:00**  
**In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG**

### **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 items 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 OF PREVIOUS MEETINGS**

**5 - 14**

To note that Council, at its meeting of 4 January 2022, received and adopted the minutes of the meetings held on 11 November and 10 December 2021. The minutes will be signed by the Chair.  
[Copy minutes in Minute Book 48(4) / herewith].

## **PART A**

### **To be considered when the Public and Press are present**

<b>A.1</b>	<b><u>MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL</u></b>	<b>15 - 44</b>
	The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 7 December 2021, 6 January and 24 February 2022 are submitted for information. (Copy Minutes herewith)	
<b>A.2</b>	<b><u>AUDITOR'S ANNUAL REPORT ON CARLISLE CITY COUNCIL</u></b>	<b>45 - 78</b>
	Grant Thornton to present the Auditor's Annual Report on Carlisle City Council. (Copy Report herewith)	
<b>A.3</b>	<b><u>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</u></b>	<b>79 - 98</b>
	Grant Thornton to present a report updating the Committee on progress in delivering their responsibilities as the Council's external auditors. (Copy Report herewith)	
<b>A.4</b>	<b><u>AUDIT COMMITTEE ANNUAL REPORT 2021/22</u></b>	<b>99 - 112</b>
	The Chair of the Audit Committee to submit a report summarising the work undertaken by the Audit Committee during 2021/22. (Copy Report RD.74/21 herewith)	
<b>A.5</b>	<b><u>INTERNAL AUDIT PROGRESS 2021/22 (DECEMBER 2021 TO FEBRUARY 2022)</u></b>	<b>113 - 124</b>
	The Corporate Director of Finance and Resources to submit a report providing an overview of the work carried out by Internal Audit between December 2021 and February 2022. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations. (Copy Report RD.80/21 herewith)	
	The undernoted Final Audit reports are submitted for consideration.	
<b>A.5(i)</b>	<b><u>INTERNAL AUDIT REPORT – WORKFORCE DEVELOPMENT</u></b>	<b>125 - 142</b>

<b>A.5(ii)</b>	<b><u>INTERNAL AUDIT REPORT – FINANCIAL SERVICES GOVERNANCE ARRANGEMENTS</u></b>	<b>143 - 160</b>
<b>A.5(iii)</b>	<b><u>INTERNAL AUDIT REPORT – COVID-19 GRANT PAYMENTS</u></b>	<b>161 - 174</b>
<b>A.6</b>	<b><u>INTERNAL AUDIT PLAN 2022/23</u></b>	<b>175 - 196</b>
	The Corporate Director of Finance and Resource to submit a report providing the proposed Internal Audit Plan and Charter for 2022/23. (Copy Report RD.79/21 herewith)	
<b>A.7</b>	<b><u>TREASURY MANAGEMENT OCTOBER - DECEMBER 2021</u></b>	<b>197 - 210</b>
	The Corporate Director of Finance and Resources to submit a report providing the regular quarterly summary of Treasury Management Transactions for the third quarter of 2021/22. The matter was considered by the Executive on 21 February 2022. (Copy Report RD.72/21 and Minute Excerpt herewith)	
<b>A.8</b>	<b><u>TECHNICAL UPDATE AND CONSULTATIONS</u></b>	<b>211 - 216</b>
	The Corporate Director of Finance and Resources to submit a report providing an update on technical issues and consultations on financial and auditing subjects. (Copy Report RD.76/21 herewith)	

## **PART B**

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

### **B.1 TECHNICAL UPDATE AND CONSULTATIONS: APPENDICES**

*\*\*\* This report is not for publication by virtue of Paragraph 3 of Schedule 12A to the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). \*\*\**

The Corporate Director of Finance and Resources to submit a report setting out the appendices in relation to the consultation responses prepared by Link, the Council's Treasury Management advisors.  
(Copy Report RD.76/21 herewith)

## **B.2 RISK BASED VERIFICATION POLICY REVIEW**

*\*\*\* This report is not for publication by virtue of Paragraph 3 of Schedule 12A to the Local Government Act 1972, as it contains information relating to the financial or business affairs of any individual (including the authority holding that information). \*\*\**

The Corporate Director of Finance and Resources to submit a report which updates the Committee on an amendment of the Risk Based Verification Policy for Housing Benefit Administration.  
(Copy Report RD.81/21 herewith)

### **Members of the Audit Committee**

**Conservative** - Meller (Chair), Lishman, McKerrell, Mrs Mitchell, Mrs Finlayson (sub), Shepherd (sub)

**Labour** – Birks, Patrick (Vice Chair), Dr Tickner (sub), Wills (sub)

**Independent and Liberal Democrat** - Bomford, Allison (sub)

Enquiries, requests for reports, background papers etc to:  
committeeservices@carlisle.gov.uk





## **Audit Committee**

**Date:** Thursday, 11 November 2021

**Time:** 10:00

**Venue:** Council Chamber

**Present:** Councillor Mrs Ann McKerrell, Councillor Keith Meller, Councillor Mrs Linda Mitchell, Councillor Ms Lucy Patrick, Councillor Mrs Valerie Tarbitt

**Also Present:** Key Audit Partner / Director of Finance, Grant Thornton  
Councillor Ellis: Finance, Governance and Resources Portfolio Holder

**Officers:** Corporate Director of Governance and Regulatory Services  
Financial Services Manager (Deputy S.151)

### **AUC.54/21 APOLOGIES FOR ABSENCE**

Apologies for absence had been submitted on behalf of Councillor Mrs Pamela Birks and the Corporate Director of Finance and Resources.

### **AUC.55/21 DECLARATIONS OF INTEREST**

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

### **AUC.56/21 PUBLIC AND PRESS**

RESOLVED – That the Agenda be agreed as circulated.

### **AUC.57/21 EXTERNAL AUDIT FINDINGS REPORT**

The Key Audit Partner presented the External Audit Findings Report. In relation to the Council's Value For Money (VFM) arrangements and the Key Audit Partner noted that there was a degree of work to be undertaken to complete this aspect of the audit which was subject to a number of challenging deadlines, it was anticipated that the work would be finalised by January 2022; the External Auditor had not had to exercise any of its additional statutory duties in respect of this part of the audit.

The Key Audit Partner summarised the section of the report relating to Valuation of Property, Plant, Equipment and Investment Property, and advised that a significant improvement had been seen in the valuations for which he commended the Council. There had been a material emphasis of matter including in the report regarding Land and Building Valuations material valuation uncertainty, however, the External Auditor's assessment was that the Council's management processes were appropriate.

The Financial Statements audit was complete and it was anticipated that work would be signed off the following day. Recommendations from the External Auditor were set out in Appendix A to the report with follow up action(s) detailed in Appendix B. The Key Audit Partner described the Council's overall audit position as good and he advised that an unqualified opinion had been issued; he extended his thanks to Officers in their assistance with the audit in what had been a challenging time.

A Member commented that there were a number of positives in the report, she was pleased that the important work relating to Valuation of Property, Plant, Equipment and Investment Property was resolved. She welcomed the unqualified opinion from the Key Audit Partner and thanked all those involved in the work to deliver the audit.

RESOLVED - That the Audit Committee welcomed the unqualified external audit opinion and looked forward to receiving the Value For Money audit opinion in due course.

#### **AUC.58/21 STATEMENT OF ACCOUNTS 2020/21**

The Financial Services Manager (Deputy S.151) reported (RD.45/210) that the audit process for the Council's Statement of Accounts 2020/21 had been delayed due to the lateness of the completion of the 2019/20 accounts. The audit of the Statement of Accounts for 2020/21 was substantially complete with the Auditors' Audit Findings Report (ISA260) having been considered earlier in the meeting. Following approval of that report, the External Auditors would issue their formal opinion and the audit process for 2020/21 would conclude. However, in accordance with Auditing Standards, a Letter of Representation (a copy of which was appended to the report) must also be considered and approved by the Audit Committee prior to the Audit Opinion being provided. Once approved by the Committee it would be signed by the Corporate Director of Finance and Resources on behalf of the City Council.

The Financial Services Manager noted that the audit had been conducted in a period of challenging circumstances for the team, he thanked the Key Audit Partner for his assistance in the process.

In conclusion, the Financial Services Manager requested that the Committee approve the Statement of Accounts 2020/21 including the Annual Governance Statement.

The Committee thanked the team for its work in the preparation and completion of the Statement of Accounts 2020/21.

RESOLVED - That the 2020/21 Statement of Accounts, including the Annual Governance Statement, be approved.

#### **AUC.59/21 LETTER OF REPRESENTATION 2020/21**

The Financial Services Manager (Deputy S.151) reported (RD.44/21) submitted the Letter of Representation 2020/21 which set out the adjustments made to the accounts and confirmed the Council's fulfilment of its auditing obligations. Members were asked to approve the Letter of Representation 2020/21.

RESOLVED – That the Audit Committee approved the Letter of Representation for 2020/21.

The Meeting ended at: 10:25

**Audit Committee**

**Date:** Friday, 10 December 2021

**Time:** 10:00

**Venue:** Cathedral Room

**Present:** Councillor Pamela Birks, Councillor Jeffrey Bomford, Councillor Mrs Ann McKerrell, Councillor Keith Meller, Councillor Mrs Linda Mitchell  
Councillor David Shepherd (for Councillor Mrs Valerie Tarbitt)

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

**Officers:** Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources  
Principal Accountant  
Principal Auditor

**AUC.60/21 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillors Mrs Tarbitt and Ms Patrick, and the Key Audit Partner / Director - Grant Thornton.

**AUC.61/21 DECLARATIONS OF INTEREST**

No declaration of interest were submitted.

**AUC.62/21 PUBLIC AND PRESS**

RESOLVED - That the Agenda be agreed as circulated.

**AUC.63/21 MINUTES OF PREVIOUS MEETINGS**

RESOLVED - 1) It was noted that Council, on 9 November 2021, received and adopted the Minutes of the meeting held on 24 September 2021. The Chair signed the minutes.

2) That the minutes of the meeting held on 11 November 2021 be agreed as a correct record.

**AUC.64/21 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL**

The Minutes of the meeting of the Business and Transformation Scrutiny Panel held on 7 October 2021 were submitted for information.

RESOLVED – That the Minutes of the meeting of the Business and Transformation Scrutiny Panel held on 7 October 2021 be noted.

**AUC.65/21 VALUE FOR MONEY UPDATE**

In the absence of the Key Audit Partner / Director, Grant Thornton, the Corporate Director of Finance and Resources read out a statement on his behalf. The Value for Money

conclusions, which were ordinarily submitted with the External Audit of Accounts, were expected to be received by the end of January 2022 along with a draft auditor's report; in the work undertaken thus far, no significant weaknesses or key recommendations had been identified. It was yet to be determined how the information would be shared with the Audit Committee, for example, whether a Special meeting to consider the matter would be required or if the information was able to be circulated by the Corporate Director of Finance and Resources.

RESOLVED - That the Value for Money Update be noted.

## **AUC.66/21 INTERNAL AUDIT PROGRESS 2021/22 (OCTOBER TO NOVEMBER)**

The Principal Auditor submitted the Internal Audit Progress 2021/22 (October to November) report (RD.57/21). The report provided an overview of the work carried out by Internal Audit between October and November 2021 along with information regarding: progress against the agreed Audit Plan, performance indicators, previous audit recommendations, and the amendments to the Internal Audit Plan.

Members' attention was drawn to paragraph 2.4 of the report, and were advised that, in relation to the internal audit of Property Income, ongoing discussions had been held with the service manager and it was expected that a report on the matter would be submitted at the next meeting of the Committee.

In relation to the internal audit of ICT Controls where the filling of vacant posts had been recommended, the recruitment exercise had not been successful. As such further activity was required and Internal Audit would remain in dialogue with Officers on the matter.

Local Government Reorganisation had led to delays in some managers implementing internal audit actions. A process for assessing risk exposure had been developed and would be implemented where appropriate. The Principal Auditor advised the Committee that the actions in relation to the outstanding ICT recommendations that were the responsibility or Organisational Development had been actioned and should also have been closed on the schedule.

A Member asked whether the Council was aware of any cyber security breaches having taken place?

The Principal Auditor responded that none had been reported, however, the issue remained ongoing as the Council was subject to a number of attempted breaches on a daily basis.

RESOLVED - That the Audit Committee:

- 1) Noted the progress against the Audit Plan 2021/22
- 2) Received the final audit assignments as outlined in paragraph 2.2
- 3) Noted the progress made on audit recommendations to date outlined in Appendix B
- 4) Approved the proposed amendments to the Internal Audit Plan 2021/22 in Appendix C.

## **i INTERNAL AUDIT REPORT - CORPORATE INTERNAL CONTROLS**

The Principal Auditor submitted the Internal Audit Report - Corporate Internal Controls (RD.59/21). The audit had provided reasonable assurances and generated 3 medium graded recommendations which the Officer provided an overview of.

A Member noted that notifications sent to Members in relation to e-learning did not stipulate

whether a course was mandatory, she suggested including such information would be useful.

The Corporate Director of Finance and Resources advised that it was not feasible to make courses mandatory for Members, however she undertook to raise the matter with the Organisational Development Team who may be able to highlight some training modules as important or highly recommended.

RESOLVED - 1) That the final audit - Corporate Internal Controls report be received.

2) That the Corporate Director of Finance and Resources liaise with the Organisational Development Team regarding the content of notification of e-learning modules for Members

## **ii INTERNAL AUDIT REPORT - DISABLED FACILITY GRANTS**

The Principal Auditor submitted the Internal Audit Report - Disabled Facilities Grants (RD.61/21). The audit had provided reasonable assurances and generated 3 medium graded recommendations which the Officer provided an overview of.

RESOLVED - That the final audit - Disabled Facilities Grants report be received.

## **iii INTERNAL AUDIT REPORT - ENVIRONMENTAL STRATEGY**

The Principal Auditor submitted the Internal Audit Report - Environmental Strategy (RD.60/21). The audit had provided reasonable assurances and generated 7 medium graded recommendations which the Officer provided an overview of.

RESOLVED - That the final audit report - Environmental Strategy report be received.

## **iv INTERNAL AUDIT REPORT - NEIGHBOURHOOD SERVICES (CULTURE)**

The Principal Auditor submitted the Internal Audit Report - Neighbourhood Services (Culture) (RD.62/21). The audit had provided partial assurances and generated 1 high graded and 6 medium graded recommendations.

The Principal Auditor gave an overview of the processes used in conducting the audit, which had been identified as necessary as a result of increased contact by staff with Officers from HR and Trade Unions. The strong performance of the team, particularly in light of the Covid 19 pandemic and HGV driver shortage, was recognised. Following the survey work carried out with operational staff, management, Trade Unions and HR, the audit clients were provided with a detailed presentation of the outcomes which were accepted. The Principal Auditor summarised the audit recommendations.

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

- With reference to a previous internal audit of a team based at Bousteads Grassing, a Member noted that supervisions not being carried out had been an identified issue, she expressed disappointment that the issue appeared to have escalated rather than having been resolved.

The Principal Auditor advised that in the process of this particular internal audit the issue of supervision had been considered at all levels within the service, it was hoped that the issue

would improve going forward.

The Deputy Chief Executive advised that some managers within the service were not as effective as others at actively carrying out supervisions, he was confident that through the process of the internal audit had satisfactorily covered the issue. There had been a restructure of the team which it was hoped would lead to a more effective and consistent approach in the service. The Organisational Development Team had carried out some mediation and training work with the team which had led to an increase in supervisory performance.

In response to a question from a Member regarding the use of appraisals within the team, the Deputy Chief Executive advised that given the way the service operated, annual appraisals were not the method of intervention; dialogue between staff was regular and would identify issues that needed to be addressed. The Deputy Chief Executive acknowledged the need to revert to a more consistent use of the annual appraisal.

- Had the Human Resources team been at expected staff resource levels?

The Principal Auditor advised that there had been staff resource issues previously but that it was now at full capacity.

- A Member noted that some staff had commented on the difference in difficulties of working on the refuse or recycling collection rounds.

The Deputy Chief Executive noted that the refuse collection routes were perceived as easier as they involved a single receptacle and crews were switched between the two types of collection routes. The routes used had also been redeveloped to take into account new housing development in the district and also increased use of home delivery services.

RESOLVED - That the final audit Neighbourhood Services (Culture) report be received.

## **AUC.67/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23**

The Corporate Director of Finance and Resources submitted report RD.53/21 which set out the Council's draft Treasury Management Statement for 2022/23 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) for 2022/23 were incorporated into the Statement, as were the Prudential Indicators as stipulated on the Prudential Code for Capital Finance in Local Authorities.

The report had previously been considered by the Executive and the Business and Transformation Scrutiny Panel. The Committee considered the report on an annual basis, there were no significant changes over the last year, the report provided an updated commentary on the economic forecast.

In relation to the Appendix A - Draft Treasury Management Statement, paragraph 6.1, the Chair suggested it would be helpful to indicate in the table which of the heading areas were within acceptable levels.

The Corporate Director of Finance and Resources responded that in relation to those items there were no targets or standard levels, however, she agreed some additional narrative would be useful and undertook to incorporate some in the final version of the Statement.

RESOLVED - That the Draft Treasury Management Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23 be received.

## **AUC.68/21 TREASURY MANAGEMENT QUARTER 2 2021/22 AND FORECASTS 2022/23 TO 2026/27**

The Corporate Director of Finance and Resources submitted the Treasury Management Quarter 2 2021/22 and Forecasts for 2022/23 to 2026/27 (RD.49/21) 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.

The Corporate Director of Finance and Resources noted that, as at the end of September 2021, the rate of interest the Council had achieved on its investments, 0.22% and property returns, 4.0% were above base rate.

In relation to cash balances, the Council may not wish to further extend its borrowing as a result of Local Government Reorganisation (LGR) and to create an unnecessary liability for the new authority. The Treasury Management Forecasts (Appendix C) still outlined a five year plan, and the pressures on the revenue budget set out a worst case scenario position in terms of existing borrowing.

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

- Would the Council's existing bonds and borrowing transfer to the new authority following LGR?

The Corporate Director of Finance and Resources responded that in preparation for LGR a significant amount of work was required to aggregate and disaggregate the relevant Councils' balance sheets. Debts may generally be linked to the asset to which it was related, the Council had one existing loan of £13M which would be aligned to the new authority.

- Would the financial status of Copeland Borough Council have an impact on the assets held by the City Council?

The Corporate Director of Finance and Resources explained that she had not yet read the report into the financial status of Copeland Borough Council. She noted that the budgets of the district authorities in Cumbria were far smaller than that of the County Council and that under LGR, the budgets and assets would need to be considered in the round so as to properly understand the financial position. The Shadow Authority would consider the matter once it was a live organisation and would make recommendations as to the way forward in terms of Medium Term Financial Plans etc.

RESOLVED - That the Treasury Management Quarter 2 2021/22 and Forecasts 2022/23 to 2026/27 be noted.

## **AUC.69/21 LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 – APPOINTMENT OF EXTERNAL AUDITORS**

The Corporate Director of Finance and Resources submitted the Local Audit and Accountability Act 2014 - Appointment of External Auditors (RD.63/21). The report summarised the arrangements for the appointment of external auditors for the five year period 2023/23 to 2027/28.

The Corporate Director of Finance and Resources recommended that the authority opt into the PSAA scheme, she noted that all of the other Cumbrian district local authorities had indicated that they were intending to do so. In terms of the new councils, which would be created via the Local Government Reorganisation in Cumbria, they would have an option to join the scheme.

A Member commented that the proposal sounded reasonable.

RESOLVED - That the Audit Committee recommend to Council:

- 1) That Council opt into the sector led procurement of local authority external auditors and accept the PSAA invitation for the five year period from 2023/24 to 2027/28; and that
- 2) Delegation be provided to the Corporate Director of Finance and Resources, in consultation with the Chair of the Audit Committee to complete the Formal Notice of Acceptance on behalf of the Council.

## **AUC.70/21 STATEMENT OF ACCOUNTS 2021/22 UPDATE**

The Corporate Director of Finance and Resources submitted the Statement of Accounts 2021/22 Update (RD.56/21). The 2020/21 Accounts had recently been signed off and work had commenced on the preparation of the 2021/22 Accounts. There had been no significant change to the 2021 Code of Practice on Local Authority Accounting which would affect the Council, however, consideration was being given to the implications of implementing of IFRS16 - Lease Accounting.

RESOLVED - That the Audit Committee:

- 1) Noted the update on the 2021/22 Accounts
- 2) Approved the accounting policies to be used in the preparation of the 2021/22 Accounts.

## **AUC.71/21 PUBLIC AND PRESS**

RESOLVED - That in accordance with Section 100A(4) of the Local Government Act 1972, the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information, as defined in Paragraph Number 3 of Part 1 of Schedule 12A to the 1972 Local Government Act.

## **AUC.72/21 ANNUAL REVIEW OF COUNTER FRAUD ARRANGEMENTS 2020-21**

The Principal Auditor submitted the Annual Review of Counter Fraud Arrangements 2021-21 (RD.58/21) which provided an overview of the counter fraud arrangements at the Council and included, where appropriate suggestions for development.



Officers responded to Members questions on the report.

RESOLVED That the Annual Review of Counter Fraud Arrangements 2020-21 be received.

The Meeting ended at: 11:02



## **Business & Transformation Scrutiny Panel**

**Date:** Tuesday, 07 December 2021

**Time:** 16:00

**Venue:** Cathedral Room

**Item  
A.1**

**Present:** Councillor Ruth Alcroft, Councillor Trevor Allison, Councillor James Bainbridge, Councillor Mrs Marilyn Bowman, Councillor Mrs Linda Mitchell, Councillor Michael Mitchelson, Councillor Peter Sunter, Councillor Christopher Wills (for Councillor Dr Les Tickner)

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

**Officers:** Deputy Chief Executive  
Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources  
Head of Property Services  
Neighbourhood Services Manager  
HR Manager  
Policy and Performance Officer  
Overview and Scrutiny Officer

### **BTSP.85/21 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillor Dr Les Tickner, the Town Clerk and Chief Executive and the Corporate Director of Economic Development.

### **BTSP.86/21 DECLARATIONS OF INTEREST**

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

Councillor Bainbridge declared an interest in respect of agenda item A.2 (c) - Individual Charges Review - Licensing. The interest related to him holding a small lottery licence.

Councillor Michelson declared an interest in respect of agenda item A.2 (c) - Individual Charges Review - Licensing. The interest related to him holding small lottery licences.

### **BTSP.87/21 PUBLIC AND PRESS**

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

## **BTSP.88/21 MINUTES OF PREVIOUS MEETINGS**

RESOLVED – It was noted that Council, at its meeting on 9 November 2021, received and adopted the minutes of the meeting held on 7 October 2021. The Chair signed the minutes.

## **BTSP.89/21 CALL-IN OF DECISIONS**

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

## **BTSP.90/21 BUDGET 2022/23**

The Corporate Director of Finance and Resources submitted the annual budget reports, noting that the Panel's consideration marked the beginning of the process for setting and approving the Council's Budget.

### **(a) Minutes of the Health and Wellbeing Scrutiny Panel and Economic Growth Scrutiny Panel**

The excerpts of the minutes of the meetings of the Health and Wellbeing Scrutiny Panel and Economic Growth Scrutiny Panel held on 25 November 2021 and 2 December 2021 respectively were submitted for consideration and were noted.

### **(b) Budget Update - Revenue Estimates 2022/23 to 26/27**

The Corporate Director of Finance and Resources submitted report RD.46/21 providing a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes. The base estimates had been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the Medium Term Financial Plan (MTFP) and Charging Policy; Capital Strategy; and Asset Management Plan approved by Council on 14 September 2021.

The report set out known revisions to the MTFP projections, although there were a number of significant factors affecting the budget that were currently unresolved and which would be considered as the budget process progressed (paragraph 1.3 referred).

Details of the outstanding key issues and resource assumptions were set out at Section 4 and details of the income and budget monitoring shortfalls were documented at paragraph 5.7. Section 8 of the report set out the funding requirements for the Local Government Reorganisation.

The Executive had considered the matter at their meeting on 20 November 2021 (EX.128/21 referred) and resolved:

"That the Executive:

1. Noted the revised base estimates for 2021/22 and base estimates for 2022/23.
2. Noted the current Medium Term Financial Plan projections, which would continue to be updated throughout the budget process as key issues became clearer and decisions were taken.

3. Noted the initial budget pressures, bids and savings which needed to be taken into account as part of the 2022/23 budget process.
4. Noted the review of the earmarked reserves as outlined in paragraph 9 and Appendix F to Report RD.46/21."

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

- Was the anticipated income from Gateway 44 per annum and did it include an assumption on the remaining units?

The Head of Property Services confirmed that the income was per annum and did include the final three units being occupied. A retailer was set to occupy them once the planning process had been completed.

- Was it possible to streamline the reserves detailed within the report and how could the Council ensure the reserves were spent in Carlisle once the Local Government Reform (LGR) had taken place?

The Corporate Director of Finance and Resources reminded the Panel of the difference between the general fund free reserve and the earmarked reserves. All Councils involved in the LGR would pool their reserves and an element of this pooling exercise would become Cumberland Council reserves. Work was being undertaken on the disaggregation of Cumbria County Council's budget and balance sheet. The reserves in the report had been streamlined, some reserves had been released and some had now been removed. Moving forward the earmarked reserves would show the new authority the intention and commitment of the City Council, however, how the monies were used would depend on the priorities of the new authority.

- A Member asked for clarity with regard to the LGR implementation reserve.

The Corporate Director of Finance and Resources explained that the estimated early indications were that the LGR would cost £18.9m to implement. Cumbria County Council would contribute 50% of the cost, the remaining amount would be divided equally between the six district councils. A report would be submitted to full Council in January 2022 for the funding to be released.

**RESOLVED** - That the Panel scrutinised the Budget Update - Revenue Estimates 2022/23 to 2026/27 (RD.46/21)

### **(c) Individual Charges Review - Community Services**

The Deputy Chief Executive submitted report CS.37/21 setting out the proposed fees and charges for 2022/23 relating to those services falling within the Community Services Directorate. The report proposed a varied approach to the charges for the use of the city centre. To encourage the use of commercial pitches, pavement cafes and Farmers Markets it was proposed to maintain the rates at the current rate and the remainder of charges would increase by 3%. It was also proposed that 10p be added to all tariffs across all car parks and an increase of 10p per day to permit prices.

Details of the other proposed charges in relation to City Centre usage by external organisations; events; digital banner; Old Fire Station; allotments; use of parks; sports pitches; Talkin Tarn; Bereavement Services; Waste Services and Garage charges were also provided.

The original 2021/22 budgets and 2022/23 forecast income levels based upon the current charge structure and forecast volume were as detailed in the table in section 11 of the report. The charges highlighted within the report would result in an anticipated level of income of £2,810,500 against the MTFP target of £3,196,200. That represented a shortfall of £385,700 against the MTFP target.

The Executive had considered the matter at their meeting on 20 November 2021 (EX.129/21 referred) and resolved:

"That the Executive:

1. Had reviewed the proposed charges as set out in the body of Report CS.37/21 and relevant appendices with effect from 1 April 2022, noting the impact those would have on income generation as detailed within the report.
2. Made the report of proposed charges available to relevant Scrutiny Panels for their review and comment."

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

- A Member drew the Panel's attention to the resolution of the Economic Growth Scrutiny Panel (EGSP.74/21 referred) which asked the Executive to consider:
  - "- Freezing the car parking charges for the first hour of use across all Carlisle City Council car parks and introduce the proposed increase from the second hour;
  - That a review of the car park permit policy for Talkin Tarn car park be undertaken with the goal of increasing flexibility and the number of permits available."

The Member asked the Panel to endorse the recommendations, the Panel agreed.

- A Member asked why the Council reduced enforcement charges if the charge was paid quickly.

The Neighbourhood Services Manager stated that the Council had to take enforcement action that was reasonable and proportionate. The reduced penalty for early settlement was effective in ensuring penalties were paid and prevented further action being taken. The Member asked how many penalties were paid early and the Neighbourhood Services Manager agreed to provide a written response.

RESOLVED - 1) That the Panel had received and commented on the Individual Charges review - Community Services (CS.37/21)

2) That the Panel endorsed the recommendation from the Economic Growth Scrutiny Panel (EGSP.74/21) and ask that the Executive consider:

- Freezing the car parking charges for the first hour of use across all Carlisle City Council car parks and introduce the proposed increase from the second hour;
- That a review of the car park permit policy for Talkin Tarn car park be undertaken with the goal of increasing flexibility and the number of permits available.

3) That the Neighbourhood Services Manager provide the Panel with information on the number of penalties that were paid early and received a discount.

#### **(d) Individual Charges Review - Economic Development**

The Corporate Director of Finance and Resources presented report ED.39/21 setting out the proposed fees and charges for areas falling within the responsibility of the Economic Development Directorate.

The proposed charges in relation to Planning Services included Development Control income; Building Control income; Building Control Discretionary Charges; Shop Mobility and Investment and Policy Income.

Acceptance of the charges highlighted within the report would result in an anticipated level of income of £656,000 against the Medium Term Financial Plan target of £656,000.

The Executive had considered the matter at their meeting on 22 November 2021 (EX.131/21 referred) and agreed the charges, for consultation, as set out in Report ED.39/21 and accompanying Appendices, with effect from 1 April 2022; noting the impact those would have on income generation as detailed within the report.

RESOLVED - That the Individual Charges Review - Economic Development (ED.39/21) be received.

#### **(e) Individual Charges Review - Governance and Regulatory Services**

The Corporate Director of Governance and Regulatory Services submitted report GD.55/21 concerning the proposed fees and charges for areas falling within the responsibility of the Governance and Regulatory Services Directorate.

The report set out the proposed charges relative to Environmental Health and Housing; Homeless, Prevention and Accommodation Services; and Legal Services.

The introduction of the proposed charges was forecast to generate income of £802,800 in 2022/23 as summarised in the table at paragraph 5.11.1 of the report.

The Executive considered the matter at their meeting on 22 November 2021 (EX.131/21 referred) and agreed for consultation the charges as detailed within Report GD.55/21 and accompanying Appendices, with effect from 1 April 2022; noting the impact those would have on income generation as detailed within the report.

The Corporate Director of Governance and Regulatory Services reminded the Panel that the previous year's budget discussions had resulted in no charge for domestic rat treatments, the position had not changed and there would be no charge introduced in 2022/23.

In response to a question regarding the new legislation for food labelling, the Corporate Director of Governance and Regulatory Services said he thought it was the County Council (Trading Standards) that dealt with food labelling but if there was an opportunity to recover costs for matters which it was responsible for then the Council would seek to do so via a report to the Executive.

RESOLVED - That the Individual Charges Review - Governance and Regulatory Services (GD.55/21) be received.

#### **(f) Individual Charges Review - Licensing**

The Corporate Director of Governance and Regulatory Services submitted report GD.82/21 setting out the proposed fees and charges for areas falling within the responsibility of the Licensing Section of the Governance and Regulatory Services Directorate. The Regulatory Panel had responsibility for determining the licence fees, with the exception of those under the Scrap Metal Dealers Act 2013, which fell to the Executive.

The Executive had considered the matter at their meeting on 22 November 2021 (EX.132/21 referred) and resolved:

"That the Executive:

1. Noted the charges which were considered by the Regulatory Panel on 27 October 2021.
2. Approved the charges, for consultation, under the Scrap metal Dealers Act 2013 with effect from 1 April 2022."

RESOLVED - That the Individual Charges Review - Licensing (GD.82/21) be received.

**(g) Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27**

The Corporate Director of Finance and Resources submitted report RD.47/21 detailing the revised Capital Programme for 2021/22, now totalling £29,917,200, together with the proposed method of financing. The summary of the revised programme for 2021/22 showed a potential borrowing requirement in the sum of £28,794,905.

Also summarised was the proposed programme for 2022/23 to 2026/27 in the light of the new capital proposals identified, together with the estimated capital resources available to fund the programme.

The Executive had considered the matter at their meeting on 22 November 2021 (EX.133/21 referred) and resolved:

"That the Executive:

1. Noted the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B to Report RD.47/21 including approval of the reduction of £1,894,800 to the 2021/22 capital programme;
2. Had given initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;
3. Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved."

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

- Had there been an increase in the income at the Crematorium which would allow the replacement of the cremator to be undertaken without further borrowing?

The Corporate Director of Finance and Resources explained that the new spending proposal (£1.75m) for the replacement of the cremators referred to replacing gas powered cremators with electric powered ones which would help to reduce the amount of CO2 produced from the crematorium. Replacement on a like for like basis with gas powered cremators would require additional funding of approximately £300,000 - £400,000. The additional spend also provided additional funding to upgrade the building facilities at the crematorium. The additional spend would require an additional borrowing requirement, however, the annual borrowing cost could be met from the annual sum currently set aside to the cremator reserve over a 23 year period.

In response to a further question the Corporate Director of Finance and Resources clarified that a further report to the Executive and Scrutiny would be required for the cremator capital scheme and it would include options and value for money information.



- If the Council replaced the cremator with an electric one would there be a reduction in running costs?

The Deputy Chief Executive stated that it would be reasonable to expect a reduction in running costs, however, there was no certainty at the moment.

- A Member asked for information with regard to the Flare Data Management System and if there were any risks to the Council by not replacing it.

The Corporate Director of Governance and Regulatory Services reported that the Flare system was used by Environmental Services but it was no longer a supported system. Following the announcement of LGR it was agreed that the section could manage with the system until the Council became unitary as the other Council's already used an different and more suitable system. The resources allocated to the scheme had been returned to the corporate budget for use elsewhere.

- Would the proposed improvement and developments to the Council's ICT infrastructure be compatible with the other authorities following LGR?

The Corporate Director of Finance and Resources explained that the capital which had been requested was mainly to keep the City Council legal and safe until April 2023. Further work regarding ICT systems was being undertaken as an LGR work stream.

RESOLVED - That the Review Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27 be received (RD.79/21).

#### **(h) Corporate Assets - 3 Year Repair and Maintenance Programme 2022/23 - 2024/25**

The Corporate Director of Finance and Resources submitted report GD.79/21 setting out the repair and maintenance programme budget proposals for the Council's Corporate Property assets for the three year period 2022/23 to 2024/25, required to ensure that the legal responsibilities of the City Council were met.

Local authorities had a duty to manage their property assets, particularly operational assets, in a safe and efficient manner which contributed to the quality of service delivery. The maintenance strategy was fully integrated with the Asset Management Plan and environmental policy. In addition, the Council followed good practice by, where practical, allocating its budget 70% planned maintenance and 30% reactive maintenance.

The report indicated that the proposed 2022/23 revenue maintenance budget amounted to approximately £782,200 spread across a wide range of assets; and that the Council had a capitalised major repairs programme with a provision of £250,000 included in the Capital Programme. The total outstanding maintenance figure on the operational buildings, based on a costed 5 year plan derived from the Condition Surveys, currently stood at just under £2,164,000. That figure omitted the outstanding maintenance works at the Pools due to the impending closure of the facility, however, it was anticipated that the total maintenance figure would rise once costs associated with the Victorian Health Suite and the Sands sports hall roof were known.

Turning to the issue of planned maintenance, the report recorded that the projects detailed at Section 2 reflected the highest priority projects to be funded from capital. The Council had submitted a bid for Public Sector Decarbonisation Scheme funding. The bid totalled £2.1million and if successful would allow energy efficiency improvements to be undertaken to a number of the Council's operational assets.

The Executive had considered the matter at their meeting on 22 November 2021 (EX.134/21 referred) and resolved:

"That the Executive approved:

1. The three-year revenue maintenance programme set out in Appendix A to Report GD.79/21 as part of the budget process.
2. The 2022/23 capital budget of £250,000 and the associated list of capital projects selected to meet the allocated budget. "

RESOLVED - That the Corporate Assets - 3 Year Repair and Maintenance Programme 2022/23 - 2024/25 be received (GD.79/21).

**(i) Treasury Management Quarter 2 2021/22 and Forecasts for 2022/23 to 2026/27**

The Corporate Director of Finance and Resources submitted report RD.49/21 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 2022/23 with projections to 2026/27 and set out information regarding the requirements of the Prudential Code on local authority capital finance.

Treasury Management projections were reviewed annually to ensure that current interest rate forecasts were updated, and that current and future spending implications were built into the cash flow forecasts model. Average cash balances would need to be amended to reflect revised forecasts for anticipated capital receipts, capital expenditure and use of revenue reserves and that would adjust the final pressure/saving requirement from treasury management. The draft base Treasury Management estimates for 2022/23 with projections for 2026/27 were set out at Appendix C.

The Executive had considered the matter at their meeting on 22 November 2021 (EX.135/21 referred) and received RD.49/21 and the projections for 2022/23 to 2026/27 be incorporated into the Budget reports considered elsewhere on the Agenda.

RESOLVED - That the Treasury Management Quarter 2 2021/22 and Forecasts for 2022/23 to 2026/27 be received (RD.49/21).

**(j) Local Taxation 2022/23 - 2026/27**

The Corporate Director of Finance and Resources submitted report RD.48/21 considering aspects of Local Taxation decisions which needed to be made as part of the Budget process for 2022/23 onwards.

Set out within the report were the various considerations, including the levels of Council Tax for the City Council (including Parish Precepts), Council Tax Surplus calculations, Council Tax Base calculations, Local Support for Council Tax including War Widows Pension Disregard, and Business Rate Retention (including Pooling arrangements). A summary of the assumptions made was also provided at Section 4.

The Executive had considered the matter at their meeting on 22 November 2021 (EX.136/21 referred) and resolved:

"That the Executive:

1. Noted the contents of Report RD.48/21 including the current assumptions built into the

MTFP with regard to local taxation issues;

2. Approved, for recommendation to Council as part of the budget process, the 2022/23 Local Support for Council Tax scheme as set out in paragraph 2.4, and the War Pensions Voluntary Disregard as set out in paragraph 2.5;

3. Approved the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2022/23, subject to the continuing involvement of the other partners with the final decision on participation being delegated to the Corporate Director of Finance and Resources."

In response to a question the Corporate Director of Finance and Resources explained that all other districts in Cumbria had a Council Tax Reduction Scheme which was very similar to Carlisle. To have an amended scheme in place by April 2023 would require a lengthy consultation period so would be one of the first decisions taken by the Shadow Authority following the elections in May 2022, if they wished to change the CTRS.

The Chair gave the Panel the opportunity to ask any general questions with regard to the 2022/23 budget:

A Member commented that the residents of Carlisle were recovering from the impact of Covid 19 and many people were finding the economic situation very difficult. He moved a recommendation that Carlisle City Council freeze their portion of the Council Tax for 2022/23. The recommendation was seconded.

A Member had concerns what this would mean for the budget which had included a £5 per annum increase. The Corporate Director of Finance and Resources responded that the impact of a one year freeze would be £175,000 and over the five year period of the MTFP it would be £893,000.

The Member proposed, and it was seconded, that a report detailing the implications of a Council Tax freeze on the budget be submitted to the Panel for consideration before a recommendation to the Executive was made.

The Finance, Governance and Resources Portfolio Holder reminded the Panel that the comments, observations and recommendations from the Scrutiny Panel informed the Executive for the preparation of the budget. Should the Executive take on board the recommendation the budget would reflect the impact. The Panel would have the opportunity to scrutinise the budget at their meeting in January before the final budget was submitted to the whole Council for consideration.

The Leader added that this would be the last budget that Carlisle City Council set, after that all four authorities would have to work to align their budget and Council Tax charges.

The Member and seconder of the proposal for a further report withdrew the proposal.

Following voting it was agreed that the Panel recommend to the Executive that City Council freeze their portion of the Council Tax for 2022/23.

RESOLVED - 1) That the Local Taxation 2022/23 - 2026/27 be received (RD.48/21)

2) That the Panel recommends to the Executive that the City Council freeze their portion of the Council Tax for 2022/23.

3) That the Panel thanked the Corporate Director of Finance and Resources, and her team, for their excellent work in preparing the budget documents especially in such difficult circumstances.

## **BTSP.91/21 REVENUE BUDGET OVERVIEW AND MONITORING REPORT APRIL TO SEPTEMBER 2021**

The Corporate Director of Finance and Resources submitted the Revenue Budget Overview and Monitoring Report (RD.50/21) for the period April to September 2021. Outlined within the report were the overall budget position for revenue schemes only and details of the impact of Covid 19 on the revenue budget. The report also included details of balance sheet management issues. Bad debts written off and progress against the budget savings.

Set out at paragraph 2 was the summarised budgetary position as at September 2021; the main variances were as summarised at paragraph 2.4. The table at paragraph 2.9 showed the position as at September 2021 of savings achieved against the transformation savings targets to date.

The Council's financial position, which was affected by a number of external factors which had a financial impact during the course of the year and ultimately at the year end, would continue to be closely monitored and reported more fully in a future monitoring report. It would be important to maintain a prudent approach so as to ensure a sustainable budget position for future years to avoid any significant variance at the year end.

Information on the main variances in the Directorates' Budgets; the forecast outturn position for 2021/22; and impact of COVID-19 was provided.

The matter had been considered by the Executive at their meeting on 22 November 2021 (EX.142/21 referred) and resolved:

"That the Executive:

1. Noted the budgetary performance position of the Council to September 2021;
2. Noted the action by the Corporate Director of Finance and Resources to write off bad debts as detailed in paragraph 6 of Report RD.50/21;
3. Noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A to the report.

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

- The report included a number of budget underspends, what was the reason for these and were there any services that the Council was no longer carrying out?

The Corporate Director of Finance and Resources clarified that a lot of the underspends were additional income being achieved, the Council had not stopped providing any services as far as she was aware.

- Regarding the distribution of Covid 19 grants, what had been the Council's role in the work?

The Corporate Director of Finance and Resources explained that the Council's only role was to distribute the grants in accordance with strict government guidelines. Any associated costs had been recompensed through new burden funding.

- How often were the Lanes projections reviewed and was the Council responsible for part of the business rates on empty units?

The Head of Property Services informed the Panel that the projections were reviewed quarterly. The Council paid its share of business rates through the rent reconciliation process.

RESOLVED - That the Revenue Budget Overview and Monitoring report April to September 2021 (RD.50/21) be received.

## **BTSP.92/21 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT APRIL TO SEPTEMBER 2021**

The Corporate Director of Finance and Resources submitted report RD.51/21 providing an overview of the budgetary position of the City Council's capital programme for the period April to September 2021. Detailed therein were the capital budget overview; the overall budget position for the various Directorates; the monitoring and control of expenditure against budget allocations and the exercise of virement.

As at the end of September, expenditure of £8,382,797 had been incurred on the Council's core capital programme. When considered against the profiled budget of £8,792,106 that equated to an underspend of £409,309. The unspent balance remaining of the revised annual budget of £29,537,200 was £21,154,403. A review of the 2021/22 capital programme would be undertaken to identify accurate project profiles for the remainder of the financial year, any potential slippage into future years.

In addition, paragraph 3.10 recorded that a number of schemes were included in the capital programme for 2021/22 which required reports to be presented to the Executive for the release of funding before the project could go ahead.

The 2021/22 programme had been kept to a level that took account of the Council's ability to deliver schemes with regard to capacity and available resources. Work was ongoing to continue to monitor the profiling of budgets, and those were adjusted to reflect progress in current capital schemes. It was likely that there would still be a requirement for some carry forwards at the year end due to further slippage and delays on projects. Budgets now totalling £380,000 were being held in reserves until approved by Executive for release, noting that the Levelling Up bid had not been successful.

The Executive had considered the matter at their meeting on 22 November 2021 (EX.143/21 referred) and resolved:

"That the Executive:

1. Noted and had commented on the budgetary position and performance aspects of the capital programme for the period April to September 2021;
2. Noted adjustments to the 2021/22 capital programme as detailed in paragraph 2.1 of report RD.51/21;
3. Approved the reduction to the 2021/22 capital programme as detailed in paragraph 3.3 and paragraph 3.10."

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

- A Member asked for the following information regarding the S.106 funding for Affordable Homes:

- would all of the money be used to bring empty properties back into use;
- how many houses were being brought back into use;
- who were payments made to.

The Corporate Director of Finance and Resources agreed to ask the Corporate Director of Economic Development to provide the Panel with a written response.

- How would the Towns Deal funding be released and would it be completed before LGR?

The Corporate Director of Finance and Resources confirmed that the business case for the projects were being prepared and some funding would be released early in the new year. The Towns Deal had a two year period to complete the projects.

Referring to the LGR, the Corporate Director of Governance and Regulatory Services informed the Panel that government would issue a direction relating to expenditure. When the direction was in force it would state what level of expenditure by the City council would require agreement by the Shadow Authority. It was expected that the levels would be £1m in capital and £100,000 over a 12 month period for revenue.

**RESOLVED** - That the Capital Budget Overview and Monitoring Report April to September 2021 be received (RD.51/21).

2) That the Corporate Director of Economic Development provide the Panel with information on the use of S.106 funding (Affordable Homes commuted Sums) to bring empty properties back into use, specifically:

- would all of the money be used to bring empty properties back into use;
- how many houses were being brought back into use;
- who were payments made to.

## **BTSP.93/21 SICKNESS ABSENCE QUARTER 2 2021/22**

The HR Manager submitted the authority's sickness absence levels for the period 1 April 2021 to 30 September 2021 and outlined other sickness absence information (CS.45/21).

The HR Manager reported that the new Improving Attendance Policy took effect on 22 September 2021. Current sickness statistics were set out in table 2.1 and showed the number of days lost per FTE equated to 5.9 in the first half of 2021/22.

The report set out the split between long term and short term absences; absences split by directorate; trends and the reasons for sickness absence.

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

- The Panel asked for an update on the return to work interview figures.

The HR Manager agreed to circulate the figures when the next quarter figures were confirmed.

- Had the new Improving Attendance Policy been implemented, had training been carried out and was there any feedback on the new Policy?

The HR Manager confirmed that the Policy had been implemented and some online training had been made available with further training being organised for the new year. The HR team were engaging with officers and staff when an absence occurred and were guiding individuals through the Policy as necessary. The HR Manager felt that the Policy and the proactive approach was working very well and she expected to see a reduction in long term absence figures in the next quarter. She added that the Organisational Development initiatives also supported a quicker return to work and ensured staff had a range of support available to them.

- A large percentage of the sickness absence figures fell to one Directorate, what work was being undertaken to support individuals?

The Deputy Chief Executive acknowledged the issue and explained that work was being carried out to give supervisors the confidence and support to address the issues in a consistent focused way in tandem with the wellbeing support that was available.

- Was there any statistics on how LGR was impacting staff?

The Deputy Chief Executive was not able to say if LGR had negatively impacted the wellbeing of staff, however, the Senior Management Team was doing everything possible to engage with staff throughout the process and keep them informed. He reminded the Panel that pulse surveys had been undertaken during the pandemic and suggested it may prove useful to carry out one on the impact of LGR in the future.

- Had the percentage of stress, depression, mental health, fatigue syndromes related absences increased during the pandemic?

The Deputy Chief Executive agreed to add this information to the next update report.

RESOLVED - 1) That the Sickness Absence Quarter 2 2021/22 report be received (CS.45/21)

2) That the HR Manager circulate the next quarter return to work figures to the Panel as soon as they were available.

## **BTSP.94/21 QUARTER 2 PERFORMANCE REPORT 2021/22**

The Policy and Performance Officer submitted the quarter 2 2021/22 performance against current Service Standards and an update on the delivery of the Carlisle Plan 2021-23 actions as defined in the Plan. Performance against the Panel's 2021/22 Key Performance Indicators were also included (PC.40/21).

The Policy and Performance Officer drew the Panel's attention to the Summary of Exceptions and the associated reasons.

At the request of the Chair, the Policy and Performance Officer gave an update on the increase in the number of corporate complaints received:

38 complaints had been received in the first two quarters. 17 of them related to actions / decisions that were not within the remit of the Council to change ie planning decisions. 12 complaints had been received in neighbourhood services, primarily missed collections, this had been a result of the HGV driver shortages. 9 complaints had been received by Environmental Services and related to 2 cases with multiple complainants / complaints. One of the complainants had since received a vexatious complaint warning letter from the Council.

A Member highlighted the number of working days to process new benefit claims and asked if the authority was still supporting the Test and Trace Support payments and if any additional staff had been employed to carry out the additional work.

RESOLVED - 1) That the Quarter 2 Performance Report 2021/22 be received (PC.40/21);

2) That the Policy and Performance Officer provide the Panel with further information on the Test and Trace Support payments and how the additional work was staffed.

## **BTSP.95/21 OVERVIEW REPORT**

The Overview and Scrutiny Officer presented report OS.29/21 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel and the Panel's Work Programme.

The Overview and Scrutiny Officer provided an update on the outstanding resolutions and reported that a report on the management arrangements at Talkin Tarn had been added to the Work Programme for the February 2022 meeting.

At the request of the Corporate Director of Finance and Resources the Panel agreed to defer the Covid 19 financial implications wrap up report until after 31 March 2022 when the final grants had been distributed.

RESOLVED – 1) That the Overview Report incorporating the Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.29/21).

2) That the following amendments be made to the Work Programme:

- Add Talkin Tarn Management Arrangements to the 24 February 2022
- Defer the Covid 19 financial implications wrap up report from 6 January 2022 until after 31 March 2022.

The Meeting ended at: 17:43



**Business & Transformation Scrutiny Panel**

**Date:** Thursday, 06 January 2022

**Time:** 16:02

**Venue:** Cathedral Room

**Present:** Councillor Ruth Alcroft, Councillor Trevor Allison, Councillor James Bainbridge, Councillor Mrs Marilyn Bowman, Councillor Ms Jo Ellis-Williams, Councillor Mrs Linda Mitchell, Councillor Michael Mitchelson, Councillor Dr Les Tickner

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

**Officers:** Town Clerk and Chief Executive  
Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources  
Infrastructure and Services Desk Manager  
Overview and Scrutiny Officer

**BTSP.01/22 APOLOGIES FOR ABSENCE**

No apologies for absence were submitted.

**BTSP.02/22 DECLARATIONS OF INTEREST**

No declarations of interest were submitted.

**BTSP.03/22 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.

**BTSP.04/22 MINUTES OF PREVIOUS MEETINGS**

RESOLVED – It was noted that Council, at its meeting on 4 January 2022, received and adopted the minutes of the meeting held on 7 December 2021. The Chair signed the minutes.

**BTSP.05/22 MEMBER'S COMMENTS**

Councillor Dr Tickner noted that some Members of the Panel were not wearing face masks in accordance with advice. The Chair had advised it was a decision for individual members, Councillor Dr Tickner asked that his objection to non mask wearing be recorded.

**BTSP.06/22 CALL-IN OF DECISIONS**

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

**(1) EXECUTIVE'S RESPONSE TO THE FIRST ROUND OF BUDGET SCRUTINY**

Minutes of the special meeting of the Executive held on 13 December 2021 were submitted detailing the response of the Executive to the comments made by the Scrutiny Panels in response to the first round of Budget scrutiny.

RESOLVED - That the decisions of the Special Executive held on 13 December 2021 be received.

**(2) EXECUTIVE DRAFT BUDGET PROPOSALS**

The Executive's draft Budget proposals 2022/23 which had been issued for consultation purposes were submitted for scrutiny by the Panel.

The budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular the reports of the Corporate Director of Finance and Resources which had been discussed at the Executive meeting on 13 December 2021.

The Corporate Director of Finance and Resources detailed a number of updates to the budget documents including the incorporation of recommendations from Scrutiny to freeze the City Council portion of Council Tax for 2022/23, freeze the first hour of car park charges and the review of the Talk Tarn car parking permits. She highlighted areas of reprofiling as well as outstanding items which would be incorporated into the budget for 19 January 2022 Executive meeting if available.

In considering the draft Budget proposals, Members raised the following questions and comments:

- Members noted the vacant properties within the Lanes and asked if the Council was liable for unpaid Business Rates and any losses that the Lanes may experience.

The Corporate Director of Finance and Resources agreed to provide the Panel with a written response.

- A Member highlighted the borrowing requirements in the report and asked if the Council would have to borrow the £1.6million required for the Local Government Reorganisation.

The Corporate Director of Finance and Resources confirmed that there was no additional borrowing requirement for the £1.6million, it would be funded from the Operational Risk Reserve. She acknowledged that there was a significant borrowing requirement for the capital programme due to a lack of available capital grants. It was prudent to budget for the maximum requirement, however reviews of spending profiles and the cash position may reduce the actual borrowing required.

- A Member asked for clarity on the savings position.

The Corporate Director of Finance and Resources explained that the savings requirement had not increased and remained at £2million. It had been possible to reprofile the amount and meet some savings on a non recurring basis but the saving requirement had moved to 2023/24. There was a savings strategy in place and the Council would continue to look for the savings to either achieve in 2022/23 or to inform the new authority.

- The saving strategy included service reviews which reviewed services not in line within the Councils core priorities or which were not statutory. How confident was the budget that it would not impact on the services offered to residents?

The Corporate Director of Finance and Resources highlighted previous work which had been undertaken to identify savings which did not impact on service provision, however, this work would need to be reviewed and updated. She clarified that this budget was based on the current service provision with no cuts to services. All budget pressures and savings had been identified by budget holders and Directors who knew if proposed savings would impact services. She reminded the Panel that £9million in savings had been achieved since 2010/11 without stopping any services.

- What did the Rural Services Grant cover?

The Corporate Director of Finance and Resources agreed to provide a written response.

- Had the cost of additional electric vehicle charging points been factored into the budget for the replacement of Council refuse vehicles with electric vehicles?

The Corporate Director of Finance and Resources reminded the Panel that the Council could not currently replace their refuse vehicles with electric vehicles as there were no suitable options available. When it became a viable option additional electric charging points would be considered as a separate budget report which would set out all the funding options for the authority.

A Member commented that the replacement of electric vehicle batteries would also need to be considered as they could not be recycled. The Finance, Governance and Resources Portfolio Holder responded that the lifetime of a battery would outweigh the time that a refuse vehicle would be in use with the authority as they were replaced regularly.

RESOLVED - That Corporate Director of Finance and Resources provided the Panel with a written response to the following:

- Was the Council was liable for unpaid Business Rates and any losses that the Lanes may experience.
- What the Rural Services Grants covered.

### **(3) BACKGROUND INFORMATION REPORTS:**

#### **(3)(a) BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27**

The Corporate Director of Finance and Resources submitted report RD.52/21 which provided an update to report RD.46/21. The report summarised key budget considerations, the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23, forecasts up to 2026/27 for illustrative purposes. Potential new spending pressures, bids and savings were also set out in the report in an indicative manner, the final position being subject to decisions taken further in the budget process.

The Executive had considered the matter on 13 December 2021 (EX.153/21 refers) and decided:

"That the Executive:

- (i) Noted the revised estimates for 2021/22 and base estimates for 2022/23;

- (ii) Noted the estimates in the report are draft and will be subject to the confirmation of the Local Government Finance Settlement due in December 2021;
- (iii) Noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues become clearer and decisions were taken;
- (iv) noted the budget pressures, bids and savings which needed to be taken into account as part of the 2022/23 budget process;
- (v) Approved the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2 of report RD.52/21
- (vi) notes the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review."

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

- Why had additional subsidy for the Leisure contract been included in the budget? Was it a local or national issue?

The Corporate Director of Finance and Resources explained that additional subsidy had been removed from the budget. The amount was not yet known and would therefore be dealt with outwith the budget process. The additional subsidy was unique to Carlisle due to the delay in the redevelopment of the Sands Centre.

- Would the increase in car parking during the recovery from Covid and the Christmas period improve the car parking shortfall income?

The Corporate Director of Finance and Resources clarified that the figures used for the shortfall were based on pre covid figures and there was a shortfall at that time. The shortfall would go forward as a recurring pressure.

- Did the level of external debt figures include the value of Gateway 44?

The Corporate Director of Finance and Resources confirmed that Gateway 44 had been included in the balance sheet from 2020/21.

RESOLVED - That the Panel had scrutinised report RD.52/21 and made comments on the revised base estimates for 2021/22 and the proposed overall budgetary position for 2022/23.

### **(3)(b) REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL PROGRAMME 2022/23 TO 2026/27**

The Corporate Director of Finance and Resources submitted report RD.55/21 which detailed the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B. The report summarised the proposed programme for 2022/23 to 2026/27 in the light of new capital proposals identified along with the estimated resources available to fund the programme.

The Executive had considered the matter at its meeting of 13 December 2021 (EX.154/21 referred), and decided:

'That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B of report RD.55/21;

(ii) Gave initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of estimated available resources;  
(iii) Noted that any scheme for which funding had been approved by the Council may only proceed after a full report, including business case and financial appraisal, has been approved.'

RESOLVED - That the revised capital programme for 2021/22 and the proposed overall capital budgetary portion for 2022/23 to 2026/27 (RD.55/21) be noted.

## **BTSP.08/22 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23**

The Corporate Director of Finance and Resources submitted report RD.53/21 which set out the Council's draft Treasury Management Strategy for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 were also incorporated into the Statement, along with Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Executive had considered the matter on 13 December 2021 (EX.155/21 referred) and noted the draft Treasury Management Strategy Statement for 2022/23 and referred it to the Panel.

In considering the report, a Member asked how confident the Council was in the bank rate figures.

The Corporate Director of Finance and Resources drew the Panel's attention to section 10.3 of the report which set out the Council's investment strategy. The Council regularly monitored the interest rates and had daily updates from Link Asset Services.

RESOLVED - That the Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23 (RD.53/21) be noted.

## **BTSP.09/22 FUTURE SCRUTINY TASK AND FINISH GROUP REPORT**

The Overview and Scrutiny Officer submitted report OS.01/22 which summarised the work of the Future Scrutiny Task and Finish Group and set out its findings for the Panel to consider.

The Task and Finish Group had been established by the Panel to reconsider Scrutiny arrangements within the Council. The Task and Finish Group proposed a two Panel structure, with a "Place Panel" and a "People Panel". The structure included an ad-hoc "Resources Panel" that would be serviced by Members of the Place and People Panels and would consider budget matters. The Panels would continue to be made up of 8 Members and the People and Place Panels would meet 8 times a year.

The Corporate Director of Governance and Regulatory Services had not been involved in the work of the Task Group, however, he indicated that the proposed change to the Panels would be relatively straightforward. He clarified that the Panel could not stipulate the Membership of the new Resources Panel. As a formal committee of the Council the Panel would be subject to the same proportionality rules as the other Panels and the seat allocations were a matter for each Group.

The Panel debated the proposals. Some Members felt it was not the appropriate time to create additional work for Members or Officers. The impact of the Local Government Reorganisation was unknown but he felt that two Panel may struggle to keep up with the workload.

Some Members spoke in support of the proposals. A change to Scrutiny had been discussed for many years, the proposals gave clear direction for the responsibility of the new Panels and reduced duplication of work.

The Corporate Director of Governance and Regulatory Services commented that, although the changes to the Panels would be a relatively straightforward process, he felt it was a misplaced use of resources given that the City Council would only be operational for a further 18 months. The proposed changes retained three Panels, each with 8 Members and a slightly reduced number of meetings. He clarified that, if the Panel supported the recommendations of the Task Group, they would be recommending that he, as Monitoring Officer, write a report to Council making recommendations to change the Scrutiny arrangements. The recommendation he would make to Council would differ from the Task and Finish Group recommendations as the membership of the new Resources Panel could not stipulated.

Following voting it was

RESOLVED - That the Monitoring Officer be recommended to make changes to the Carlisle City Council Constitution that would allow Scrutiny to move to a two scrutiny Panel arrangements, as outlined in the proposals set out in report OS.01/22.

### **BTSP.10/22 OVERVIEW REPORT**

The Overview and Scrutiny Officer submitted report OS.02/22 which provided an overview of matters related to the Business and Transformation Scrutiny Panel.

RESOLVED - That the Overview Report incorporating the Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.02/22).

### **BTSP.11/22 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.

### **BTSP.12/22 ICT SERVICES PROJECT STATUS REPORT**

(Public and Press excluded by virtue of paragraph 3)

The Infrastructure and Service Desk Manager submitted an update on the ICT Services Project Status (CE.11/21). The report had been updated to offer the Panel an up to date snapshot of the current status of the ICT Services projects along with recent project activity; RAG rating; issues and emerging risks; key activities for the next period and requests for change.

The Infrastructure and Service Desk Manager responded to Members questions regarding the

recent recruitment process.

The Town Clerk and Chief Executive set out the current position with regard to recruitment, resources and impact of Local Government Reorganisation. He stated that the Service Desk Infrastructure and Service Desk Manager and team had carried out an excellent job managing IT in such challenging circumstances.

The Infrastructure and Service Desk Manager responded to questions regarding the Risk Register and he reported that each risk had been given a priority rating to enable effective work planning.

RESOLVED – 1) That the Panel had scrutinised the ICT Services Project Status report (CE.22/21).

2) That an updated ICT Services Project Status report be submitted to the Panel in three months time.

The Meeting ended at: 17:27

**Business & Transformation Scrutiny Panel**

**Date:** Thursday, 24 February 2022

**Time:** 16:00

**Venue:** Flensburg Room

**Present:** Councillor Ruth Alcroft, Councillor Trevor Allison, Councillor James Bainbridge, Councillor Ms Jo Ellis-Williams, Councillor Mrs Linda Mitchell, Councillor Michael Mitchelson, Councillor Dr Les Tickner

*Councillor Mrs McKerrell was in attendance as a substitute Member to the vacant seat*

**Also Present:** Councillor J Mallinson, Leader  
Councillor G Ellis, Finance, Governance and Resources Portfolio Holder  
Councillor N Christian, Environment and Transport Portfolio Holder

**Officers:** Deputy Chief Executive  
Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources  
Health and Wellbeing Manager  
Head of HR  
Head of Property Services  
Policy and Performance Officer

**BTSP.13/22 APOLOGIES FOR ABSENCE**

An apology for absence was submitted on behalf of the Town Clerk and Chief Executive.

**BTSP.14/22 DECLARATIONS OF INTEREST**

No declarations of interest were submitted.

**BTSP.15/22 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.

**BTSP.16/22 MINUTES OF PREVIOUS MEETING**

RESOLVED - That the minutes of the meeting held on 6 January 2022 were agreed as a correct record.

**BTSP.17/22 CALL-IN OF DECISIONS**

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



## **BTSP.18/22 TALKIN TARN MANAGEMENT ARRANGEMENTS**

The Health and Wellbeing Manager presented an overview of the current management arrangements for Talk Tarn Country Park and sought the Panel's views on alternative and/or additional arrangements, that could be explored, to maximise the site's potential in delivering the Council's priorities. (CS.06/22)

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

- A Member asked for clarification with regard to the budget, the Health and Wellbeing Manager reported that the budget expectations had been lower than actually achieved resulting in money being available for investment into the site.
- Talkin Tarn was a considerable size, had there been any consideration given to the installation of a wind turbine on site?

The Health and Wellbeing Manager informed the Panel that there had previously been a small wind turbine on site which produced power locally for one building.

The Deputy Chief Executive highlighted the divisive nature of wind turbines in local communities. He reminded the Panel that decisions for matters such as this would be for the new authority to take.

- A lot of land at the site was given up to grazing, would this continue given the environmental climate emergency?

The Health and Wellbeing Manager responded that the Council had received funding from the Woodland Creation Planning Grant to change some of the land to woodland. Any further changes to land use would need some consideration.

A Member asked that a map of the site be circulated to Members.

The Council was very protective of the site, however, serious consideration should be given to how the site could be made more efficient in the future within the Council's climate change plans.

- The tearoom and kiosk were both very popular, however, there needed to be some work on the opening and closing hours of both. Often in the summer months there was nothing open for refreshments later on in the evening when the Tarn was still quite busy. It was suggested that the kiosk have more flexible opening hours later into the evening.

The Health and Wellbeing Manager responded that it had not been viable to extend the tearoom opening hours, as the number of customers were weather dependent, there had been occasions when the tearoom was staffed and there were no customers. He agreed to investigate the possibility of making the kiosk opening hours more flexible.

- There were some footpaths around the site which had become inaccessible to those with pushchairs or wheelchairs. This had caused people to walk around the issue damaging the surrounding grassed areas. It was suggested that some of the surplus budget could be used to improve some of the infrastructure around the Tarn.

The Health and Wellbeing Manager took on board the comments and agreed to discuss the matter with Cumbria County Council.

- A Member suggested that the Tarn could have an outdoor theatre, or glamping and asked if any land could be allocated to affordable housing.

The Panel discussed the possibility of establishing a Task and Finish Group and agreed that a workshop, held at Talk Tarn, would be most beneficial in drawing out ideas and suggestions for the future of site.

RESOLVED - 1) That the Talkin Tarn Management Arrangements report (CS.06/22) be received;

2) That the Health and Wellbeing Manager circulate a site map of Talk Tarn to Members.

3) That a workshop be set up to take place at Talkin Tarn.

3) That the following suggestions be taken into consideration as part of the workshop:

- Extend and vary the opening hours of the kiosk.
- That investment into the infrastructure of the Tarn be undertaken to improve footpaths

## **BTSP.19/22 SANDS CENTRE PROJECT MONITORING REPORT**

The Deputy Chief Executive presented an update on the current progress of the redevelopment of the Sands Centre site (CS.05/22).

The Deputy Chief Executive provided an update on the measures undertaken to manage or adapt the existing proposals to deal with:

- a) Progress with the main contract works
- b) A requirement to update existing infrastructure in the events space to manage public safety systems to meet with current legislation.
- c) Working practices evolving from the management of the risks associated with the COVID - 19 pandemic
- d) Working practices evolving from the management of the Brexit Agreement arrangements

The Deputy Chief Executive reported that the 23 February 2022 saw an important milestone for the project and a small ceremony took place as the first tiles were placed in the pool.

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

-What was the plan for the Blessed Christopher Robinson site once the new facilities were open?

The Deputy Chief Executive reminded the Panel that the Blessed Christopher Robinson site was leased to GLL by the Diocese. Any future plans for the site either with GLL or potentially the College would be a matter for the Diocese.

- What was the timescales for the launch and the pricing structure? Did the Council have any input into the pricing structure to ensure the facilities were available to everyone?

The Deputy Chief Executive explained that there would be an initial soft opening to test the site before the official launch. Any pricing structures and concessions were prepared by GLL and the Council had no influence over them.

- How would the new facility be promoted?

The Deputy Chief Executive reported that discussions were taking place with GLL regarding

promotion. The Health and Wellbeing Manager added that GLL would undertake a 'Festival of Sports' as part of their launch.

- Given the current economic circumstances did the Project Board envisage any additional borrowing requirements?

The Deputy Chief Executive reminded the Panel that the project included a six week 'float' to allow for any extension to the project. The project had a robust early warning system in place which alerted the team to any slippage and it was monitored closely. He did not envisage any additional borrowing requirements.

- A Member raised the issue of the lighting and roof and asked if the work should be undertaken now as part of the redevelopment.

The Deputy Chief Executive clarified what work was required for the roof and explained that it was not necessary at this stage, however, it would remain a risk but not to this project. There would be work undertaken as Phase 2 by the Council in its role as landlord.

- A Member asked for an update on the life safety systems and the Deputy Chief Executive confirmed that the work was progressing. It was vital for the Council to meet its obligation as a landlord to a public building and the work was in the scope of the budget.

RESOLVED - That the Sands Centre Project Monitoring Report (CS.05/22) be received.

## **BTSP.20/22 SICKNESS ABSENCE QUARTER 3 2021/22**

The HR Manager presented the authority's sickness absence levels for the period 1 April to 31 December 2021 and outlined other sickness absence information. (CS.07/22)

The HR Manager reported that the number of days lost per full time equivalent employee equated to 8.9 in the first three quarters of 2021/22 compared to 6.2 for the same period in 2020/21. This uptrend had been seen across many authorities. The report set out the trend for both long term and short term absences, the sickness absence reasons and the work being undertaken to support employees and managers.

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

- Were there plans in place to concentrate on having all Return to Work Interviews carried out within five days now that staff were returning to the building?

The HR Manager responded that the Return to Work Interviews were being carried out regardless of where the employee was working and there would continue to be a focus on undertaking them in a timely manner as it was an important part of the whole process.

- The sickness absence figures showed one Directorate that had a disproportionately high absence rate. A Member commented that the management of the team needed to be addressed.

The Deputy Chief Executive explained that Directorate in question had a significant number of long term sickness in an area that had physical jobs in a variety of roles. It was evident that not all absences were work related; there were significant challenges outside of work for staff in the lower paid roles. Managers and staff were positively supported in managing long term absence. There had been changes in the way that absences were managed and managers were more direct about absences especially in instances that were within the Council's

control.

- The Panel asked that future reports included the number of employees in each Directorate for comparison.

- What was in place for the Council to support individuals who were absent due to non work related stress / mental health?

The HR Manager detailed the support and signposting that was in place to support individuals. The new Attendance Management Policy was in place to enable all managers to access the information to support their staff.

- Was there any way to measure how effective the wellbeing programme had been?

The Deputy Chief Executive responded that there was information available on the number of people who had accessed the programme, however, it was difficult to gauge the actual outcome and interventions. He agreed to include more detailed information in the next report.

- A Member suggested consideration be given to the introduction of 'personal days' to support those who needed time to deal with stress or mental health issues.

- The Panel asked that the next report focused on mental health along with the monitoring information.

- A Member highlighted the impact interpersonal relationships within the workplace could have on mental health.

The Deputy Chief Executive agreed and outlined the support available to managers to deal with interpersonal issues within teams.

RESOLVED - 1) That the Sickness Absence Report Quarter 3 2021/21 be received;

2) That the Quarter 4 report should focus on mental health, alongside the monitoring information, and should also included:

- the number of employees in each directorate
- details and outcomes from the wellbeing programme

## **BTSP.21/22 REVENUE BUDGET OVERVIEW AND MONITORING REPORT APRIL TO DECEMBER 2021**

The Corporate Director of Finance and Resources presented an overview of the Council's General Fund revenue budgetary position for the period April to December 2021 which was considered by the Executive on 21 February 2022. (RD.70/21)

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

- Who would pay for the Shadow Authority elections on 5 May 2022 and who would pay for any Parish Council by elections prior to vesting day?

The Corporate Director of Finance and Resources responded that the Implementation Reserve would be used to pay for the Shadow Authority elections. She agreed to provide a written response with regard to Parish Council by elections.

- Why had the Council not spent all of the Government Covid grants that had to be paid back?

The Corporate Director of Finance and Resources explained that some of the grant were paid up front and were based on the number of people eligible. The Council was very proactive in awarding grants, however, not all those eligible took the grants.

- A Member asked for clarification with regard to the figures in the report referring to the Lanes and asked if the cost of the Lanes exceeded the income would the Council have to pay some of the costs?

The Corporate Director of Finance and Resources clarified the figures and agreed to provide the Panel with a written response regarding costs.

- Referring to the virements processed a Member asked for clarity on the following:

- a) Garage Services underspend and shortfall (recharges)
- b) Development Control underspend in employee related costs, increase in fees, could this be redirected to support enforcement work?
- c) Underspend on premises expenditure
- d) Other Financial Costs

In response the Corporate Director of Finance clarified the following:

- a) The underspend in the Garage Services would show as a small saving in other Directorate budgets
- b) The increase in Development Control fees had been the result of some significant applications. The Corporate Director of Economic Development could reinvest the monies into the service on a non recurring basis.
- c) The underspend on premises expenditure had been the result of not being able to access buildings during Covid. She agreed to provide further details in writing.
- d) The target for salary turnover remained ahead of target due to vacancies. The savings were taken and the corporate savings target would be funded from savings achieved elsewhere in the revenue budget.

RESOLVED - 1) That the Revenue Budget Overview and Monitoring Report: April to December (RD.70/21) be noted;

2) That the Corporate Director of Finance and Resources provide the following written responses:

- who would pay for Parish Council by elections?
- would the Council have to pay costs for the Lanes if they exceeded the income?
- further information on the premises expenditure underspend

## **BTSP.22/22 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT APRIL TO DECEMBER 2021**

The Corporate Director of Finance and Resources presented an overview of the budgetary position of the Council's capital programme for the period April to December 2021 which was considered by the Executive on 21 February 2022.

A Member asked how any further increase in the interest rate impacted planned borrowing, the Corporate Director of Finance and Resources outlined the monitoring process that was in place, drawing attention to the impact of longer term borrowing on the new Authority.

RESOLVED - That the Capital Budget Overview and Monitoring Report: April to December 2021 be received.

### **BTSP.23/22 QUARTER 3 PERFORMANCE REPORT 2021/22**

The Policy and Performance Officer submitted the Quarter 3 2021/22 performance against the current Service Standards and an update on the delivery of the Carlisle Plan 2021-23 actions as defined in the Plan. Performance against the Panel's 2021/22 Key performance Indicators (KPIs) were also included (PC.02/22).

The Policy and Performance Officer drew the Panel's attention to the summary of exceptions and the reasons for those exceptions.

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

- Was SS08: proportion of official local authority searches completed on time subject to seasonal variation?

The Policy and Performance Officer agreed to provide a written response.

- Would the development of the Joint Municipal Waste Management Strategy for Cumbria change due to Local Government Reorganisation (LGR)?

The Deputy Chief Executive explained that dialogue was ongoing. At this stage in the LGR process it was not prudent to begin work on disentangling the contract. There was too much risk in changing the contract immediately but it would be considered in the future by the new authority.

- There was some concern that the increase to the cost of living would create an increase in the number of people applying for benefits. How would the Council deal with a potential increase?

The Corporate Director of Finance and Resources responded that the work load of the team was constantly monitored and additional resources could be diverted to the team from the test and trace team if required.

The Finance, Governance and Resources Portfolio Holder added that the housing benefit claimants were legacy claimants and any new claims would be made through Universal Credit which would not come to the City Council.

RESOLVED - 1) That the Quarter 3 Performance Report 2021/22 (PC.02/22) be noted;

2) That the Policy and Performance Officer provide the Panel with regard to a potential seasonal variation to Service Standard SS08.

### **BTSP.24/22 OVERVIEW REPORT**

The Overview and Scrutiny Officer submitted report OS.06/22 which provided an overview of matters related to the Business and Transformation Scrutiny Panel.

Referring to the resolutions from previous meetings, the Corporate Director of Finance and Resources reported that BTSP.07/22 (2) had been completed and circulated to Members on 17 January 2022.

RESOLVED - That the Overview Report incorporating the Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.06/22).

## **BTSP.25/22 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.

## **BTSP.26/22 ASSET MANAGEMENT OF KINGSTOWN INDUSTRIAL ESTATE & PARKHOUSE BUSINESS PARK - UPDATE ON PROGRESS**

(Public and Press excluded by virtue of paragraph 3)

The Head of Property Services provided an update on progress with the implementation of the business plan for Kingstown Industrial estate and Parkhouse Business Park (GD.10/22)

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

- How did the ground rents compare to other industrial estates across the County?

The Head of Property Services explained that Carlisle was a unique market and it was difficult to compare with sites in nearby areas as Carlisle was the primary market. Other industrial estates used Carlisle as their comparable baseline.

- Did new rent contracts allow for periodic reviews?

The Head of Property Services confirmed that all new leases included a five year review pattern.

- Was it possible to segregate the charges for undertaking the rent reviews?

The Head of Property Services detailed the costings and budget for Chancerygate and explained that the rent reviews were part of the overall work and could not be identified separately.

- Did the Council have in house capability to maintain the work or would Chancerygate be retained?

The Head of Property Services clarified that, although the Council had an excellent team, they did not have the expertise or capacity to undertake this work. The Chancerygate contract allowed for a renewal after five years, with an option of a further five years and a maximum of fifteen years. Discussions were currently ongoing with Chancerygate.

In addition the Panel also discussed ongoing planning permission; proposals for existing and new sites and outcomes of some of the rent review. The Panel received an update on the Gateway 44 site and the development of other sites across the City.

RESOLVED - That the Asset Management of Kingstown Industrial Estate and Parkhouse Business Park Update (GD.10/22) be received.

The Meeting ended at: 18:27



# Auditor's Annual Report on Carlisle City Council

2020-21

March 2022

# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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. 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 all 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.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.



## Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Carlisle, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a reasonable financial position. The Authority has put forward a series of proposals, which forecast a balanced budget for the next two years. In addition, as at 31 March 2021, the Authority held general revenue reserves of £5.436 million and held £7.506 million of earmarked reserves. This places the Council in a reasonably sound financial position in the transition into Local Government Re-organisation.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified some related improvement recommendations. These relate to setting realistic budgets, ensuring capital projects are well monitored and remain affordable and ensuring reserves are maintained at levels that match the Council's financial risk.

Further details can be seen on pages 8-15 of this report.



## Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work has not identified any significant weaknesses in arrangements but we have identified some improvement recommendations in relation to governance. These are to ensure all policies remain updated on a regular basis and the Council completes an assessment on the effectiveness of Internal Audit.

Further details can be seen on pages 16-20 of this report.



## Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 21-26 of this report.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified.

# Statutory and key recommendations



The NAO Code of Audit Practice requires that, where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

Page 6 outlines the Use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any significant and persuasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020/21 audit year.



The range of recommendations that external auditors can make is explained in Appendix B.



# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified audit report opinion on the financial statements on 12 November 2021.

## Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 11 November 2021. We have concluded that, the other information published with the financial statements, including the Narrative report and Annual Governance Statement, was consistent with our knowledge of the Council and the financial statements we have audited.

## Preparation of the accounts

The Council provided draft accounts in advance of the national deadline and provided a good set of working papers to support it.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are unable to complete our work in this area as the Council is still awaiting the appropriate guidance and tools from the Department to complete its submissions.

## Issues arising from the accounts:

We identified a number of changes to the financial statement, which resulted in a £6.901 million adjustment to the Council's Comprehensive Income and Expenditure Statement. A number of these material adjustments were in relation to valuations of investment properties, which were updated following auditor challenge. The net impact of these adjustments was £5.779 million.

The Council also had to re-run its IAS 19 pension report due to subsequent valuations in Cumbria LG Pension Scheme fund value, which resulted in an increase in plan assets of £1.122 million for Carlisle City Council and a corresponding decrease in net pension liability. These IAS 19 changes were outside of the Council's control, as later more up to date information was provided to the Pension Fund after the Council had submitted the accounts for audit. Despite this the Council agreed with these changes to the Financial Statements, and they were correctly processed.

## Grant Thornton provides an independent opinion ensuring the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

## Use of formal auditor powers:

We have not had to use any of our formal auditor's powers as outlined on page 6.



# Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not make any statutory recommendations

## Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply for an Application to the Court

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a judicial review

# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 8 to 29.

# Financial sustainability



## We considered how the Council:

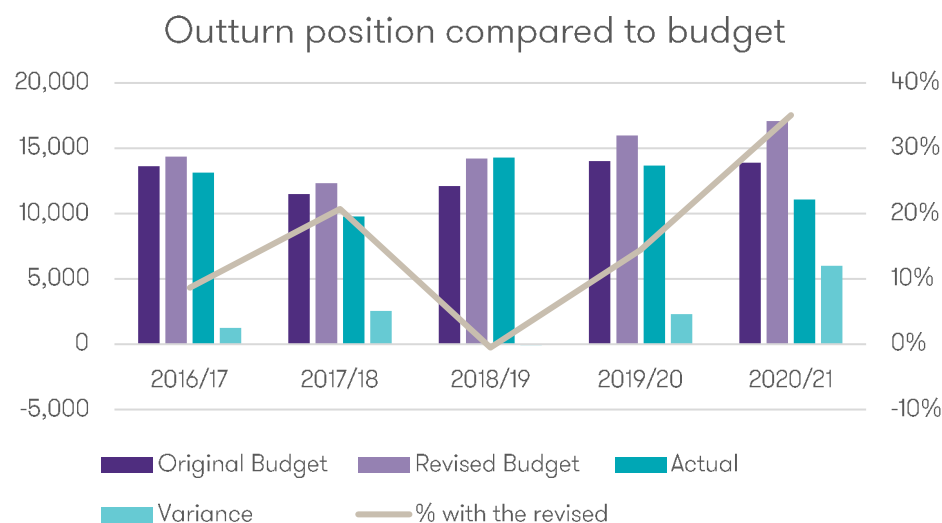
- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Identify financial pressures and builds them into its plans

The Council's financial planning allows it to be in a position to deliver the priorities set by the Council, within the available resources. Carlisle has historically performed well, with a record of strong financial and budgetary management. The Councils Revenue and Capital budgets for 2020/21 were approved by Council in February 2020 and the revised budget was approved in February 2021. The revised budget included the release of some Earmarked reserves to fund expenditure made.

The Council managed its finances effectively to deliver a breakeven position in 2020/21. The Council outturn position for the year was £11.085 million showing an underspend of £5.993 million. This allowed for the transfer of £0.970 million to the General Fund Reserve to carry forward into future years and £4.9 million to Earmarked Reserves to meet known commitments. The transfers to Earmarked Reserves included £0.5 million to fund future savings requirements and to contribute towards the £1.6 million for the Local Government Re-organisation, which is to be fully provided for in 2021/22. The difference to the budget has been made up of a number of underspends in expenditure but also reductions in income as a result of COVID.

Overall, the Council's 2020/21 outturn indicates good financial planning and management arrangements despite it being a challenging year. The Council with the exception of 2018/19, has a history of achieving significant underspends to the budget, as detailed in the graph below. We acknowledge that, the Council has been able to deliver the services required despite underspends. However, given the regularity of underspends the Council should reassess its budget process to ensure it is sufficiently robust and is not being too optimistic and is meeting service user needs. The Council should also review all key assumptions and estimations throughout the year to ensure they remain reasonable.





### Plans to bridge its funding gaps and identify achievable savings

The Council has a detailed Medium Term Financial Plan (MTFP) in place, which is updated on an annual basis and presented to Council. The 2022/23 plan has been drafted and covers the period to 2026/27, this shows a budgeted breakeven position for the Council. To achieve this breakeven position the Council have budgeted for amounts to be used from reserves and savings to be delivered. The MTFP required cumulative savings of around £2.050 million to be made, however latest forecasts show that no savings are required in 2021/22 and 2022/23. This has been due to grant funding received in advance of need and so savings can be accommodated by underspends in the revenue budget.

The Council has an increased investment property portfolio, the majority of these properties offers a steady income stream to the Council as they relate to ground rents. However the Council also has retail investments included in their portfolio of investment properties which have been affected by Covid. As such the MTFP includes a reasonable assessment of the risks relating to its investment property portfolio and its retail units and car park income and has reduced the income levels expected from these sources accordingly. Income from the Lanes has been greatly impacted by the Covid and the Council has taken this into account in its MTFP, which include maintaining low yields until the Debenhams site has been utilised. Although the Council has occupied Gateway 44, with the exception of a small number of units, the rents have been reduced and this has also been reflected in the revised MTFP.

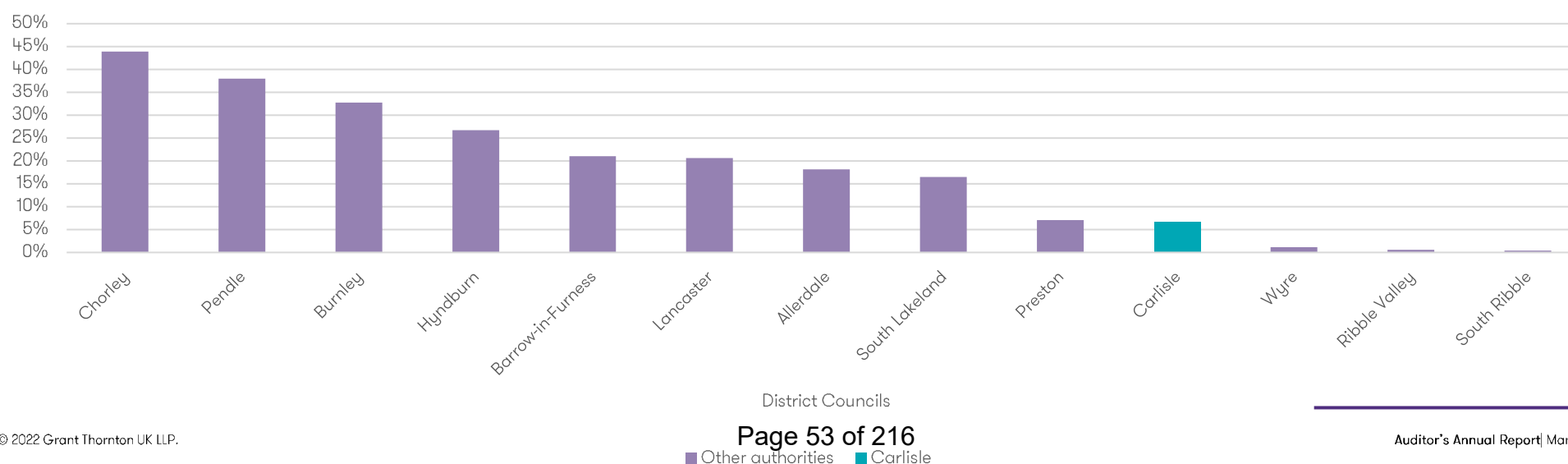
The Council has demonstrated an awareness at recognising, assessing, and re-evaluating the impact of changes in expenditure drivers, including pay inflation. This is reflected in the budget and other financial plans, and the assumptions behind expected pay or contractual uplifts are explained. On an annual basis the Council reviews the revenue estimates used in the calculation and the justifications for them. Potential new spending pressures have been identified as well as changes in the funding, which will support these pressures.

Cash flow forecasting is included within the MTFP and is refined during the detail budget setting process. Each year there is a detailed 1 year cash flow forecast, this includes the levels of cash the Council has available for investing. The Council also prepares a treasury management spreadsheet, which includes budget projections for the longer term cash-flow analysis. This looks at the high level cash flow analysis going up to the year 2029/30.

The level of investment through capital receipts and earmarked capital reserves in the 2020/21 capital programme has been maintained at a level that does not require any additional borrowing. Although the Council had planned to increase borrowing by £20 million in 2020/21, due to the repayment of an end of term loan of £15 million in 2020/21, but this was not required and is not expected to be drawn down in 2021/22. As at the 31/3/21 the Council's long term borrowings was £12.8 million (£13.287 million in 2019/20) and short term borrowing was £0.5 million (£15.978 million in 2019/20). The Council has currently remained within its authorised treasury limits of £44m for borrowing and its projected future borrowing requirements will still remain within the authorised limits. The Council's MTFP does show a need to borrow £21m in 2021/22, although it has not drawn down this borrowing due mainly to funding received in advance of need for the sustainable warmth project.

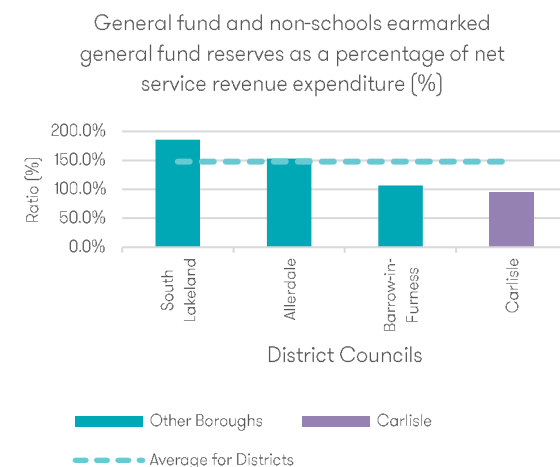
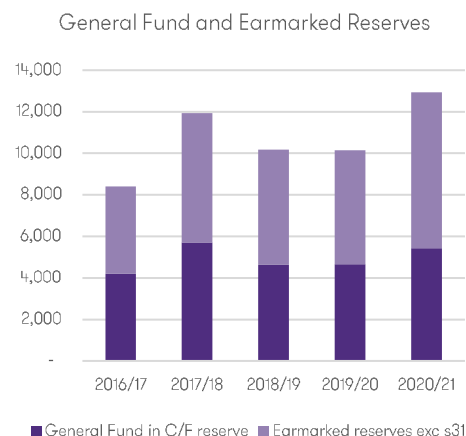
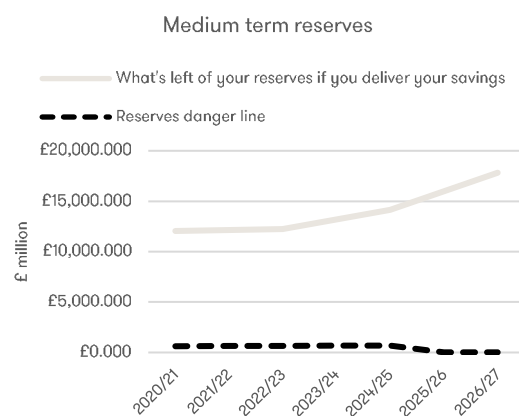
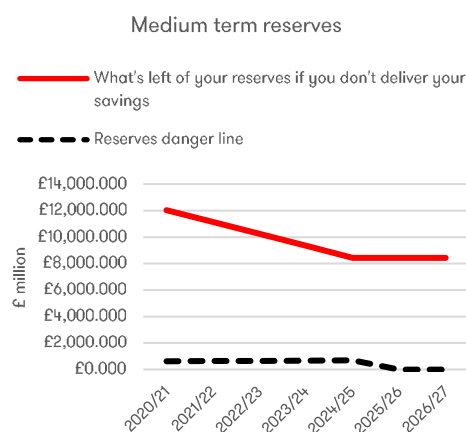
The graph below highlights the Council's borrowing as a percentage of its long term assets is 6.7%. This is below the average for Lancashire and Cumbria Council's, where draft accounts have been submitted. The Council should continue to analyse the need for borrowing ensuring the amounts are within their treasury limits and that it is fully supported with a qualifying need.

Long-term borrowing as a proportion of Long-term assets [%]



As part of the Medium Term Financial Plan (MTFP) the Council reviews the reserves on an annual basis. This shows the Council consider a General Fund position of £3.1 million as a prudent level for them and at £5.4 million as at the 31/03/2021 the Council is well above this minimum level. The Council also have £16.969 million as Earmarked reserves, which includes the s31 business rates grants reserve of £9.463 million. A review of the Medium Term Financial Plan (MTFP) for 2022/23, shows that the Council has sufficient reserves to fund any shortfalls in the medium term. This is demonstrated on the first two graphs below, which have been completed using the latest MTFP for 2022/23. These demonstrate that the Council has a secure medium term financial position, regardless of whether the Council delivers its planned savings or not. The level of medium term reserves does not dip lower than the reserves danger line. There is minimal difference between both graphs as the Council has minimal savings planned in each year, circa £0.6m each year.

The third graph shows the movement in reserves over the years, which shows the Council has build up healthy balances. The final chart shows the ratio of general fund and earmarked reserves to the net service revenue expenditure for 2020/21. The data has been obtained from the various draft 2020/21 statement of accounts, which have been submitted for audit. This shows Carlisle with the lowest levels of reserves, although the Council are confident these levels are appropriate to meet the financial risks it faces. It is important the Council ensures these balances are reviewed on a regular basis and maintained at an appropriate level. The Council needs to continue to explore opportunities to maintain and enhance the reserves it will ultimately transfer to the new Cumberland Unitary Council. The Council needs to be more proactive in identifying savings to bridge any future funding gaps required in its MTFP. We have raised an improvement recommendation in relation to this point.



### Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Our discussions with management indicate that the Council has an understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend. This is not clearly differentiated in the financial planning reports, which underlie the budget and MTFP on the basis that all spend is directed towards the delivery of core services and achievement of the Council Plan.

There is a clear link between the Council's budget and MTFP and the Council Plan. The Council's budget makes clear that one of the key aims of the Council Plan is to ensure the Council has resources available to enable the Council to prioritise the allocation of resources to best meet its overall aims and objectives.

The Council approved its Capital budget in February 2020, with a revised budget approved in February 2021. The 2020-21 element of the Council's three-year capital budget was £19.3m. Actual capital expenditure in year was £14.17 million, leaving an underspend of £4.479million. £4.455 million has been reprofiled to future years, leaving a small underspend. Whilst this carry forward was significant, it is understandable in the context of the pandemic and associated challenges with delivering capital works. The largest carry forwards was £0.986 million in relation to Sands Centre Redevelopment, £0.896 million for additional works on Gateway 44 and £0.842 million in relation to Caldew Riverside.

The Council's five year capital programme 2022/23 to 2026/27 is for £31 million with the most significant amount in 2022/23 of £18 million and 2023/24 showing £9.5 million. This along with the 2021/22 programme of £28.795 million, shows the Council has a highly ambitious program over the next 3 years. The programme is predominantly financed by external borrowing of £19.940 million, with £4.481 million from capital grants and capital receipts of £4.481 million. At Q2 2021, the Council had a budget to date of £8.792 million and an actual spend of £8.328 million.

Included in the Capital programme is the work on the Sands Centre, the Council is progressing well with this project and are hoping to be able to hand it to the Leisure operator in September 2022. The Council has employed a project manager who is responsible for the running of the project, who provides weekly progress meetings to the senior management team, including the Chief Executive, Director of Finance and Resources, Director of Governance and Regulatory Services as well as representative from Health and Wellbeing.

The Council is also a key partner in the Borderland Scheme where the development has been approved by Department for Levelling Up, Housing and Communities (formerly Ministry of Housing, Communities and Local Government). Planning permissions are being sought to commence work on the various projects throughout the City. The Council has recently given approval to transfer the former 'Woolworths' building to this project. Although this project does not impact on the Council's capital programme it remains fundamental to wider economic regeneration.

A further major scheme in operation is the Garden Village project, where the Council 2022/23 plan includes a £5m contribution towards the Southern Relief Road. Although this scheme has gone over budget and the County Council are engaging with government for further funding there are no further pressures on the City Council. The Council is underway with feasibility studies and identifying a development partner. This is funded through external funding and has no impact on the Councils capital programme at this stage.

The Council is expecting to borrow a large amount to fund the capital programme, it should continue to consider the affordability and revenue implications of its capital programme for the new Cumberland Unitary Council. This is important to ensure the new Unitary Council is not receiving any legacy financial sustainability challenges for the future. We are aware that a section 24 approval process will be put in place to assess this position as well.



### Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The Council's MTFP is in line with the Council's priorities as outlined in the Carlisle plan. Discretionary expenditure is used to support key areas of the plan. For example, the Health and Wellbeing priority is addressed with the leisure and culture services. The Council's investment in the Sands Centre will improve the facilities offered, which in turn should increase the income raised by these improved services and reduce maintenance expenditure to reduce the costs falling on the tax payer. Likewise, the capital investment in the Sands Centre will help the Council offer modern leisure services and assist in its Health and Wellbeing priority.

The Council undertakes a business case for all capital programme investments, this includes a description of the proposal including the initial costs followed by the projected savings which will follow. As well as this the Council links the proposal to its strategic objective which implementation into the scheme will meet.

The Council has a 2020/21 capital programme of £14.161 million, which was revised to £19.3 million in September 2021. For 2020/21, the total expenditure in the year was £14.2 million with £4.5 million being carried forward to cover delayed schemes caused largely by the Covid pandemic.

We are satisfied there is a clear linkage between the MTFP and the priorities set out in the Council Plan. The annual treasury management strategy incorporates financing costs based on the capital programme projections.

Carlisle City has 2 major capital projects, which the Council plays a key role in as part of its economic regeneration agenda. The Borderland Inclusive Growth Deal Scheme has commenced with the City's railway station revamp as well as demolition work that was required for the new university campus. This will enhance the inward investment into the City Centre. The Council is also a key partner in the Garden Village. Work on the Southern Relief Road is planned to take place over a longer timeline, with an additional call on further Government financial support.

### Identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

The MTFP and budget preparation includes a risk assessment of reserves, which uses potential financial exposure and probability to calculate recommended levels of general reserves. The Council has incorporated uncertainty into its planning and includes sensitivity analysis and scenario planning within its MTFP.

To complete the financial plans the Council looks at the impact on the Council's tax bases as an increase in the base will impact on the services it will provide. Other assumptions are made including the likelihood of grant funding available for the future. As well as pay, inflation, investment income and borrowings and applies a sensitivity analysis so the impact of a change of assumptions can be seen.

The Council has created a reserve of £0.5 million from the 2020/21 underspend, to contribute towards the £1.6 million 2021/22 reserve established for its contribution to Local Government Reorganisation. We have not identified evidence of the Council failing to update financial plans regarding changes in regulatory proceedings against it.

### Conclusion

**The Council is well managed in terms of financial sustainability and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues reported on a timely basis to those charged with governance. We have identified a number of opportunities for improvement on setting realistic budget, ensuring capital projects are well monitored and remain affordable and finally ensuring reserves are maintained at levels that match the Council's financial risk, as is set out overleaf.**

# Improvement recommendations



## Financial sustainability

<b>1 Recommendation</b>	Set realistic budgets which are sufficiently robust and not too optimistic, reporting the sensitivity analysis and scenario planning undertaken on key assumptions and estimates.
<b>Why/impact</b>	The Council has significant underspends year on year which need to be managed, so sustainable savings can be identified.
<b>Auditor judgement</b>	Reporting sensitivity analysis and scenario planning to members on a regular basis will provide the opportunity for effective challenge, scrutiny and oversight of the budget monitoring process. It will allow members to develop a fuller understanding of the financial challenges faced by the Council.
<b>Summary findings</b>	The Council has a history of underspends, as such the Council should reassess its budget process to ensure it is sufficiently robust and not too optimistic. A review of all key assumptions and estimations throughout the year will ensure they remain reasonable.
<b>Management comment</b>	The MTFP includes sensitivity analysis that shows the exposure within the revenue budget to potential changes in circumstances. Regular monitoring of the budget is undertaken and reported throughout the year to SMT and Members.



The range of recommendations that external auditors can make is explained in Appendix B.



# Improvement recommendations



## Financial sustainability

<b>2 Recommendation</b>	Continue to explore opportunities to maintain and bolster the Council's reserves and identify transformational schemes and savings to address the funding gaps in the MTFP beyond April 2023 to support the financial sustainability of the new Cumberland Unitary Council.
<b>Why/impact</b>	The Council's reserves are amongst the lowest in the County but we acknowledge that the Council is comfortable with this position as it feels it can maintain and rebuild reserves as appropriate going forward.
<b>Auditor judgement</b>	Bolstering reserves and identifying transformation schemes and savings will provide the Council with the agility it needs to respond to the challenging financial environment it continues to face. It will also support the financial sustainability of the new Cumberland Unitary Council.
<b>Summary findings</b>	The Council's MTFP includes a contribution of £0.9 million from s31 reserves as well as £2.05 million savings required to the year 2026/27. The Council's General Fund balance was £5.436 million at 31 March 2021, which is above the minimum balance of £3.100 million. The Council needs to be more proactive in identifying savings to bridge any future funding gaps required in its MTFP.
<b>Management comment</b>	The Council maintains a prudent level of reserves and utilises a risk based approach to ensure the level of General Fund Reserves are appropriate. Earmarked Reserves are only established if there is a clear and defined need for them and are also reviewed annually in the MTFP to ensure they remain relevant and required.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



## Financial sustainability

<b>3 Recommendation</b>	<p>Closely monitor delivery of the capital programme through existing arrangements to ensure the spend profile and timing of capital expenditure remains accurate and supports delivery of the Council's Capital Strategy.</p> <p>Consider the affordability and revenue implications of significant capital projects for the Council and legacy financial sustainability challenges and opportunities for Cumberland Unitary Authority.</p>
<b>Why/impact</b>	<p>Active monitoring and appropriate re-profiling of capital project budgets will help to ensure the delivery of the capital programme and Capital Strategy. This will require good engagement from all budget holders in the monitoring process.</p> <p>The Council has a large capital programme in 2021/22 and 2022/23, which will have an ongoing revenue impact for the newly established unitary authority.</p>
<b>Auditor judgement</b>	<p>Ensuring robust monitoring and management of the capital programme will support the deliver of the capital strategy.</p> <p>The Council should ensure its capital programme supports the financial sustainability of the new unitary authority.</p>
<b>Summary findings</b>	<p>The 2020-21 element of the Council's capital programme was £18.651 million. Actual capital expenditure in the year to March 2021 was £14.172 million, leaving an underspend of £4.479 million. The Council capital programme for 2021/22 is £28.347 of which as at quarter 3 the Council has spent £13.216 to date leaving an unspent balance of £15.131 million. The two main schemes remain as the Sands Centre Redevelopment of £16.922 million and Civic Centre Redevelopment of £2.098 million.</p>
<b>Management comment</b>	<p>The capital programme is closely monitored on a monthly basis with appropriate input from project managers. Where necessary, action is taken to re-profile the programme as required throughout the year. The affordability of capital projects is included in the MTFP, revenue and capital budget setting process to ensure that undue pressure is not placed on the overall revenue budget.</p>



The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Monitoring and assessing risk

The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership of each risk. The controls in place to mitigate this risk are also noted for each risk. Each risk is assigned a lead officer and a Councillor who are responsible for it.

The Council has a Corporate Risk and Risk Management Group, which includes the Director of Finance and Resources and Director of Governance and Regulatory Services. Each department has their own operational risk registers and managers are invited to the Risk Management Sub Group to present the risks they have and the scores allocated to them. They are challenged on these by the Members. This allows the Council to maintain a consistent approach to how it manages all of its risks.

The Council has embedded risk management in its corporate business processes. This includes strategic planning, financial planning, policy making and review as well as performance management and partnership working.

The risk management process and risk register ensure a consistent approach to risk management across the Council. All Members receive risk management awareness training in relation to their role. All staff are given appropriate training and guidance to enable them to take responsibility for managing risk within their own working environment.

Risks are reviewed by Corporate Risk Management Team as part of quarterly performance reporting arrangements. Risk management reports, including a summary of the corporate risk register, are also presented at each Audit Committee meeting and reported to Full Council at least annually.

The Council has recently had an external review completed on the operational risk management arrangements in place. The review looked at the assessment of key operational risks and the procedures to develop and update the registers across the Council service areas.

The report identified a number of positive features which included the Council's commitment to managing risks with the Framework in place and the support from the Chief Executive. The risk owners have a good understanding of the risks and the impact on operations this may have. The report recognised training had been provided to risk owners to increase knowledge and provide an understanding of the process.

The report raised 9 advisory improvement actions, which the Council has taken onboard to improve the risk assessment procedures and arrangements. The Council reported these findings to the Business and Transformation Scrutiny Panel and have agreed to implement these.

Strategic risks are set to be reported biannually to the Business and Transformation panel and the minutes of these meetings are then presented to Council. We are satisfied the Council has adequate arrangements in place to monitor and assess risks.



## Assurance over the effective operation of internal controls

In developing its 2020/21 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. The Council also carried out a comprehensive review of the effectiveness of its governance framework including its system of internal control. This included:

- an assessment by each Directorate of internal controls in their service areas against the required standards;
- review of minutes of Audit Committee, Executive and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed;
- review of the overall opinion of the Head of Internal Audit;
- assessment of the Audit and Assurance Committee arrangements against the 2018 CIPFA Guidance for Audit Committees in Local Authorities and the Police; and
- review of the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit.

This robust exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2020/21 year. This was corroborated by our 2020/21 financial statements audit and review of the 2020/21 Annual Governance Statement.

## Internal Audit

There is a good audit and investigations function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. The original plan included twenty nine reviews, however, due to the pandemic and absence 3 were removed as they added little value and 1 was carried forwards to 2021/22. Of the remaining twenty six planned reviews twenty three were completed in the year. From these completed reviews, 2 resulted in substantial assurance, sixteen resulted in reasonable assurance, and one partial assurance. No reviews resulted in a 'limited' or 'no' assurance assessment. The Head of Internal Audit opinion for 2020/21 was a reasonable assurance conclusion over the Council's systems of governance, risk management and internal control.

The Council has completed a review on the effectiveness of the Audit Committee recently and commissioned an External Quality Assessment on Internal Audit in line with Public Sector Internal Audit Standards (PSIAS), requirements in 2018. This is in line with the PSIAS requirements to complete an external review once every 5 years. We have also included a recommendation for the Council to complete the checklist for assessing compliance with the governance requirements of the CIPFA statement on the role of the Head of Internal Audit. This should be completed on an annual basis and reported to Audit Committee.

The Council has a Counter Fraud and Corruption Policy in place, which is distributed to both employees and members. The policy provides contact details of who to call if fraud and or corruption is suspected. However, we have noted this policy was last updated in 2017, the Council should ensure all policies are reviewed on an annual or more regular basis.

## Budgetary Setting process

The budget setting process is multi-layered and thorough, with several stages. Within the MTFP there is a section for sensitivity analysis and scenario planning. The Council has regular monitoring of key income, such as car park and retail income to identify any trends and then reflect these within the MTFP and budget setting. The budget and MTFP are considered concurrently, drawing on information from other strategies such as the treasury management and capital strategies. There is also a quarterly review of budget to outturn position by Executive. The MTFP and budget are considered at Business and Transformation Scrutiny Panel, then Executive and then approved at Council. Members are asked to consider the review of revenue estimates which shows the potential new spending pressures and savings.

Aligning with one of the Council's key principles to be open with the public, the budget setting process involves informing the public by uploading the budget on the website and adding contact details for any comments. Showing appropriate external engagement in the budget setting process. The feedback received from consultation meetings with Business Representatives and Trade Union Representatives along with any comments from residents are considered at the Full Council meeting.

We identified an area in which the Council could enhance their sensitivity analysis within the MTFP. It could enhance this further by making it more visual and include more specific and detailed considerations. Currently, the various scenarios relate to unexpected increases in pay and pension contributions, inflation for both income and expenditure, investment income, borrowing rate and the Minimum Revenue Provision Position.

## Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages with budget holders to assist making budgets. As well as quarterly budget reports to the Executive, budget holders have access to real time monitoring reports via the finance system. There is a high level of scrutiny as budget-holders are held accountable at Senior Management Team meetings, Business and Transformation Scrutiny Panel and Council levels. The quarterly budgets report variances by service level demonstrating regular identification of in-year variances. An initial budget for 2020/21 was approved in February 2020, these figures were then revised as further earmarked reserves were released.

Review of Executive minutes indicate that quarterly budget monitoring reports have been subject to appropriate challenge and scrutiny. The review of the 2020/21 Outturn reports and performance management reports were presented to the June Executive Committee. We are satisfied that appropriate arrangements were put in place to allow for challenge and scrutiny of these key documents.

### Leadership and committee effectiveness/decision making

Appropriate and effective leadership is in place. The Council operates through its various committees, some being Council, Audit, Executive and Business and Transformation Scrutiny. This allows it to make decisions within an effective good governance framework.

The work of the Council's committees is governed by the Constitution. The Constitution is regularly reviewed and updated. The Constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement needs to be read alongside the Council's Constitution and Local Code of Corporate Governance, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure these are efficient, transparent and accountable to local people.

Where committees are required to approve a decision, the accompanying information is very detailed.

The Council has adopted a three C's culture to be, Clear, Committed and Confident and this is used as a basis for the staff competencies. The diagram identifies 6 competencies the staff are required to achieve and for each the council show what they will do to achieve this and the support managers will offer.



### Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. The Council's Local Code of Corporate Governance states that it has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

The Council has a gifts and hospitality guidance note, which outlines the procedures in place if an officer is offered a gift or hospitality. However, this guidance note was last updated in 2019, we recommend this note is reviewed on an annual basis to ensure it remains up to date. The Council maintains a gifts and hospitality register for officers and members and this is reviewed by Democratic Services.

### Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified an opportunity for improvement in ensuring all policies remain updated on an annual or more regular basis and the Council completes an assessment on the effectiveness of Internal Audit, as set out overleaf.

# Improvement recommendations

## Governance

<b>1 Recommendation</b>	Complete an annual review of Internal Audit to assess compliance with the governance requirements and report the outcome to the Audit Committee.
<b>Why/impact</b>	The Council should complete the CiPFA checklist which will assess the compliance with governance requirements for internal audit. This will highlight any weakness the Council may need to address.
<b>Auditor judgement</b>	It is best practice to complete the checklist on an annual basis and report findings to the Audit Committee.
<b>Summary findings</b>	Our work identified the Council has not completed this checklist.
<b>Management comment</b>	This will be added to the quality assurance process and will be completed on an annual basis.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Governance

<b>2 Recommendation</b>	Ensure all policies are reviewed on an annual or more regularly basis including Anti Fraud and Corruption Policy and Gifts and Hospitality policy.
<b>Why/impact</b>	The policies should be reviewed to ensure they remain relevant and up to date
<b>Auditor judgement</b>	Policies should be reviewed on an annual basis to ensure they reflect the current environment.
<b>Summary findings</b>	We identified the Council has a Counter Fraud and Corruption Policy in place however this was last updated in 2017. Likewise the Council has a policy to outline the procedures for gifts and hospitality which was last updated in 2019.
<b>Management comment</b>	The Counter Fraud Policy review form part of the 2021/22 Audit Plan; though this may be carried forward into 2022/23. The Gifts and Hospitality guidance note will be updated and subject to an annual review.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Performance review, monitoring and assessment

The Council has established performance review, monitoring and assessment arrangements in place. A performance report was brought to Executive quarterly during 2020/21. This report contained the Council's performance against service standards, Carlisle Plan 2016-19 actions and 2020/21 Key Performance Indicators (KPIs).

During the year, 3 of the Council's Service Standards were RAG rated 'red' as off target, with the remaining 7 rated 'green' as on target. The 3 'red' areas related to 'proportion of corporate complaints dealt with on time', 'percentage of household waste sent for recycling' and proportion of local authority searches completed on time'. With regards KPIs, 4 were rated 'red', 7 'amber' (close to target) and 25 'green'. The 4 'red' related to 'actual car parking revenue as a percentage of car parking expenditure', 'actual Old Fire Station (OFS) revenue as a percentage of OFS expenditure', 'actual city centre pedestrianised zone revenue as a percentage of city centre expenditure' and 'actual building control revenue as a percentage of building control expenditure'. These areas of underperformance are clearly related to the impacts of the Covid 19 pandemic on demand and the need for the Council to reprioritise its resources, they are not indicative of weaknesses in the Council's arrangements.

A Task and Finish Group was set up during 2020/21 to look at how the Council's performance reporting could be improved. The group recommended that quarterly reports should be lighter, with longer year end reports, which use more infographics and benchmarking. Other recommendations included removing acronyms and using plain English in service standards, removing KPIs that did not fit strategic priorities, including more reporting on climate change targets and developing a live dynamic performance dashboard that could be publicly shared and accessible to Members. It is important that these recommendations are taken forward by the Council and the new Cumberland Unitary Council as it establishes its performance management framework from 1 April 2023.

## Partnership working

The Council has a Partnership Policy that provides guidance on the nature and risks of partnerships. This Policy includes a definition of a partnership and, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are defined in the Policy. A Corporate Partnerships Register is maintained by Financial Services to track all partnerships. Business Cases for proposed partnerships are considered by SMT. Proposed significant partnerships are also reported to the Executive. The Council's Financial Procedure Rules contains guidance on officers' duties and responsibilities regarding partnerships and a flowchart has been produced to guide them through the process.

Risk assessments are maintained and shared with partners, with emerging significant risks reported to the Council's Risk Management Group. Annual reviews are undertaken for all significant partnerships, including Shared Service arrangements, with key findings reflected in the Annual Governance Statement. These reviews are considered by SMT and the Business and Transformation Scrutiny Panel, upon request.

The Council supports the Carlisle Partnership, which brings together stakeholders from across the district to work more effectively together, agree a shared vision for the area and ways of delivering that vision. It includes over 80 organisations from the public, private, voluntary and community sectors. A number of sub-groups have been established to take forward priority areas, these include economic, youth, community, rural support, healthy city, housing and food partnerships.

The pandemic response required effective joint working with the Cumbria Resilience Forum (CRF) and partners from Local Government, the NHS and Central Government. In March 2020, the CRF activated its Strategic Coordinating Group (SCG). A Recovery Advisory Group (RAG) was activated in April with the purpose of developing an approach to medium to long term recovery. The Council has also worked effectively with community groups to share information and coordinate local action. Examples include work with Carlisle United to offer a site to assist with testing, work with Cumbria CVS and Cumbria Community Foundation to launch the Support Cumbria and a Covid-19 Response Fund and the development of the Carlisle Community Resilience Group.

Other key partners included the Cumbria Local Enterprise Partnership, the University of Cumbria, Carlisle College, GLL and Tullie House. As the County moves toward LGR and continues to recover from the pandemic, it is key that the Council continues to work effectively with all partners, to ensure the strong arrangements and established relationships are transferred to the new Cumberland Unitary Council.

The Council is fully engaged with LGR and the proposed creation of two Unitary Councils in Cumbria. The Council is contributing to the structures, which have been set up to deliver LGR. These include the Cumbria Leaders Oversight Forum, the Chief Executives Programme Board and the Workstream/Programme Boards. Internally, the Council has introduced structures to ensure it can deliver LGR whilst maintaining 'business as usual' statutory core services. County wide £19 million has been set aside for the transition, of which the Council will contribute circa £1.6 million, with the vast majority of this to be spent on outside consultants and recharges for officers time spent on LGR related workstreams. It is critical that, the Council and its partners have robust oversight and governance on this spend to ensure related expenditure represents value for money. It is also important that the Council monitors other associated costs, such as redundancy and transformational costs with the transition to the new Unitary Council.

The LGR agenda is progressing at pace, with the Structural Changes Order which will formally create the two Council's now being laid before parliament. The next steps will be the creation of joint committees by March 2022 and elections to shadow authorities in May 2022, ahead of vesting day on 1 April 2023. It is widely acknowledged that, the transformation will continue for a significant period after this date. It is important that, the Council continues to engage and actively contribute to LGR to maximise the opportunities it presents to both reconfigure services and provide better value for money for local taxpayers.

### Key Projects

The Council has continued to make good progress on a number of high profile projects and initiatives during the year. These include the Borderland Initiative, City Centre Redevelopments, St Cuthbert's Garden Village, Sands Redevelopment and the Healthy City programme.

#### **Borderlands Initiative**

The Council is a key partner in the Borderlands Inclusive Growth Deal. The Council has worked with Cumbria County Council, Dumfries & Galloway Council, Northumberland County Council and Scottish Borders Council to promote economic growth across the English/Scottish borders. This has resulted in a £345 million deal with the Scottish and UK Governments. The Borderlands programme is focusing on ways to make the area more attractive to existing and potential residents, investors and visitors. The Final Deal Agreement for the Borderlands Inclusive Growth Deal was signed on 18 March 2021. The Council is an active partner in this and has secured funding to take forward its planned city centre redevelopments.



### **City Centre redevelopment projects**

The Borderlands Inclusive Growth Deal allocated £20 million of funding for improvements to Carlisle Station. A further £50 million of funding was allocated to support the delivery of a new campus for the University of Cumbria on the Citadel site. The Council secured £9.1 million of investment through the Future High Street Fund to support the delivery projects to improve the vitality and viability of the city centre, including the redevelopment of the former Central Plaza site. The Council has also secured £19.7 million through the Towns Deal programme to support a range of programmes in the city. These projects have continued to progress throughout the 2021/22 year and demonstrates the Council is actively delivering on its economic regeneration priorities.

### **St Cuthbert's Garden Village**

This proposal will aim to deliver the development of around 10,000 new homes, new employment opportunities, community facilities and a new Southern Link Road between the A595 and M6. It is split into two projects: Carlisle Southern Link Road and St Cuthbert's Garden Village Masterplan and Local Plan. The Masterplan has been produced in two stages. Stage One was completed in February 2019, and sets out a vision and concept for the Garden Village. Stage Two was completed in October 2020 and establishes a detailed design framework for St Cuthbert's. Planning consent for the Carlisle Southern Link Road was granted by Cumbria County Council in October 2020. Construction is planned to commence in 2022/23 with the completion and opening in 2024.

### **Sands Centre Redevelopment**

*This project has involved the refurbishment of the leisure facilities and partial refurbishment of the events centre at the Sands Centre site including the addition of two swimming pools.* The Council has identified and managed key risks associated with the project, which included additional time and cost delays arising from material and / or labour supply during the ongoing Covid-19 pandemic and challenges associated with importing materials supplies post BREXIT. The authorised budget for the total project cost is now £27.272 million, compared to the initial budget agreed in May 2019 of £25.301 million. The projects is due for completion in September 2022.

### **Healthy City Programme**

The Council worked with partners to deliver the World Health Organisation Phase VI Healthy City Action Plan. Phase VI activity was completed in 2020/21. An agenda item and briefing paper on Phase VII was tabled and discussed at the Healthy City Forum in December 2020 and a number of associated projects have progressed during 2021/22.

The Council should be commended for its commitments to progressing these projects through the pandemic. The delivery of these projects will see significant amounts of public money spent on private sector contractors. The Council and the new Cumberland Unitary Council should continue to ensure that, appropriate governance, financial and project / programme management arrangements are in place to support ongoing delivery. The establishment of a dedicated Economic Development Programme Management Office and creating additional resources within the Economic Development/Regeneration are positive steps to ensuring that the required skills and capacity are in place. The Council the new Cumberland Unitary Council should also consider more formal reporting on how these projects are demonstrating overall value for money and better outcomes for the city taxpayers.

## Stakeholder Engagement

The Council has a Communication and Consultation Policy, which sets out its approach to engaging with local communities. All Council meetings are open to the public, with agenda papers, reports and decisions published on the website, unless specifically exempt from publication. For much of 2020/21, the Council ran virtual meetings. This made it easier for members of the public to join Council and Committee meetings than ever before. The Council and the new Cumberland Unitary Council should consider how this level of engagement can be maintained with the return to face to face meetings.

The Council is developing community empowerment and engagement policies to support the involvement of local people in the design and delivery of local services. There is an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public is achieved through social media and other online surveys, an example being the virtual consultation exercise for the St Cuthbert's Garden Village project. Public consultations have also been held in relation to other major projects, including City Centre and Sands Centre redevelopment. The Carlisle Partnership also provides a forum for the Council to engage with its institutional stakeholder.

The ongoing impacts of the pandemic, LGR and the need to continue to deliver 'business as usual' core services means that Council staff continue to work in a very challenging environment. In this context, it is important that the Council maintains its focus on staff engagement and empowerment and measures to support health and well-being. This will mitigate the risk that high staff sickness and turnover adversely impacts on the delivery of services.

## Benchmarking

The Council makes effective use of benchmarking where relevant. A peer review was carried out of the Council in late 2019/20 by the Local Government Association. A number of key recommendations were made, which included:

- Developing and agreeing a new Carlisle plan
- Undertaking a comprehensive review of decision making processes, at both councillor and officer levels
- Reviewing current arrangements for scrutiny and considering alternative options
- Refreshing and modernising the Council's Constitution, policies and procedures
- Developing and implementing a robust savings and additional income plan
- Undertaking and implementing the planned zero-based budget review
- Ensuring that the review of IT service and development of the new IT strategy were completed and implemented
- Assessing skills and capacity gaps and investing in corporate change and delivery capacity
- Developing a commercialisation strategy
- Refreshing and streamline the approach to performance reporting and management

A second governance peer review was undertaken in November 2020. An action plan to address findings from both peer reviews is informing updates and improvements to the Council's Governance framework during 2021/22. These review provided a useful external view of the Council. Whilst the Council has already progressed many of these recommendations, it is important that it continues to focus on any outstanding important areas as it transitions towards LGR.



The Council has access to benchmarking information, which covers financial sustainability and other service areas through the CFO insights platform. The Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements both for itself and the new Cumberland Unitary Council.

### Climate Change

In March 2019 the Council passed a motion to declare a Climate Change Emergency. In April 2019, the Council adopted the Joint Public Health Strategy. The Strategy included the key aim: 'To become a "carbon neutral" County and to mitigate the likely impact of existing climate change.' In June 2019, the Government announced an amendment to the Climate Change Act 2008 to require net United Kingdom carbon emissions to be zero by 2050. The Council is committed to achieving net zero greenhouse gas emissions at the earliest possible date.

The Council has developed a Carlisle Local Environment (Climate Change) Strategy. In August and September 2020, the Council sought views on the draft strategy and its proposed actions before it was finalised and approved by Executive. The strategy is accompanied by an action plan which provides more detail on how the strategy and the objectives will be delivered. In the action plan each objective has a set of actions listed under themes with a timescale for delivery. Each action will be linked to the carbon footprint and baselining work.

Climate Emergency UK undertook an exercise to assess the published climate change plans of all local authorities across the UK. Council's were scored across 5 areas:

- Governance development and Funding
- Mitigation and Adaption
- Commitment and Integration
- Community engagement and communication
- Measuring and setting emissions targets.

The Council's total score was 54%, compared to the average score of 43%. This indicates good progress at the planning stage and the Council should look to build on this with its partners during 2022/23 and in the newly formed Cumberland Unitary Council.

### Procurement and Contract Management

The Council has a Procurement and Commissioning Strategy. It is intended to ensure the Council obtains value for money and supports sustainable development. The strategy complies with all relevant legislation and emphasises the importance of socially responsible procurement, using whole life costs, involving users and assessing the social, technological, environmental, economic, political, and ethical impact of procurement decisions.

Procurement at the Council is governed by the Council Constitution, predominantly the Contract Procedure Rules and Financial Regulations. The Council recognises the benefits of working with partner organisations and has informal arrangements for procurement support on an ad-hoc basis with Cumbria County Council. The Council is also a member of EPiC (Effective Procurement in Cumbria), a collaborative procurement arrangement across Cumbria, which includes the County Council, the six District Councils, the NHS, Cumbria Police and the Lake District National Park Authority. The Council recognises the importance of ensuring that there is sufficient ability and professional expertise to deliver this strategy. The Council should continue to build skill and capacity amongst officers to support the development of innovative procurement practices.

The Council's website includes a "How to do Business with Carlisle City Council", which provides local businesses with information on how they can contract with the Council. All tenders over £35,000 are advertised on 'The Chest', with tenders exceeding £189,330 and services exceeding £4,733,252 on the Official Journal of the European Union. The Council maintains a contract register, which includes key information including supplier, expiry date, value and lead officer.

Given the ambitious capital programme in place it is vital that robust contract management arrangements are maintained to ensure the delivery of projects to budget and appropriate standards. There is evidence of this taking place in relation to the Sands Centre Redevelopment. The Internal Project Team meet on a weekly basis. This brings together the Deputy Chief Executive, Client Project Manager, Legal Officer, Head of Financial Services and Health and Wellbeing Manager. These are supplemented by regular meetings between the Client Project Manager and Main Contractor / Employers Agents. Regular reporting is also provided by the Employers agent, Pick Everards, who use SPYRO, a nationally recognised construction project management tool that logs all queries between main contractor and client.

Procurement and commissioning can be a key vehicle for delivering more sustainable outcomes for the city. Given its commitments around climate change and the environment, the Council should ensure that environmental and broader sustainability considerations are taken into account throughout the procurement and commissioning process. It is positive that the tender evaluation process now includes obtaining details of tenderers' Climate Change Policies, alternative prices for recycled and recyclable products, where appropriate, and details of any other climate change action the bidder may be undertaking. These good practices should be taken forward to the new Cumberland Unitary Council.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of Council Tax and Business Rates and cost pressures.

The Council has incurred additional operating and staff costs of £0.772million and a significant reduction in its income resulting in total Covid-19 pressures of £2.820million. Over 57% of the reduction in income related to a decrease in car parking income collected and commercial income and the restrictions introduced to limit the spread of the virus, as shown in the graph to the right.

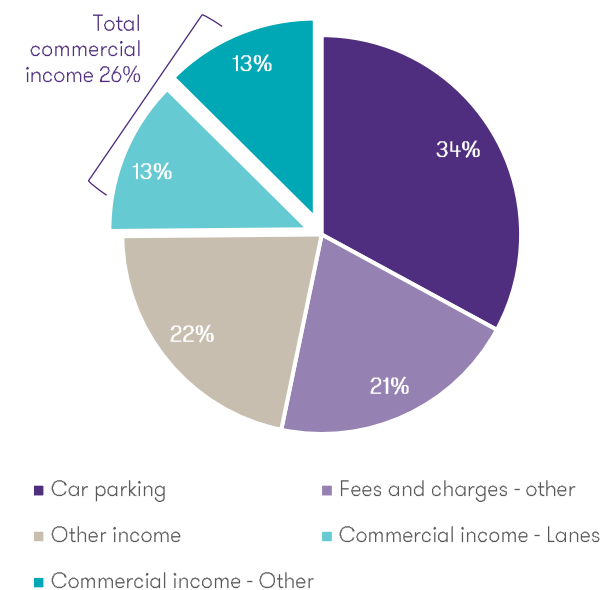
These revenue additional costs and loss of income are offset by additional grant funding of £2.820million, from the Department for Levelling Up, Housing and Communities (formerly Ministry of Housing, Communities and Local Government) resulting in a small surplus to the general fund of £0.048million. The capital programme for 2020/21 was also affected by the pandemic. Capital projects were delayed as a result of lockdowns, contractors furloughing staff and working restrictions and additional cost pressures. As a result, there was slippage of capital projects into 2021/22, including Sands Centre Redevelopment, Civic Centre, Caldey Riverside and Gateway 44.

The Council has maintained good oversight of its finances and additional Covid-19 expenditure and income losses throughout the pandemic. These were identified early on and were subject to detailed scrutiny and monitoring. Done through detailed reporting within the revenue monitoring reports received quarterly by Business and Transaction Scrutiny Panel.

The Medium-Term Financial Plan (MTFP) 2021-25 was reviewed and updated during the financial year, including the impact of Covid-19. Improvements to the MTFP could be made to more clearly identify the financial impact of Covid-19 over the next four years.

Looking forward to recovery from the pandemic, the impact on the Council's finances remains uncertain, including whether income will return to pre-pandemic levels.

Loss of income due to Covid-19



Source: Covid-19 Update Report, Business and Transformation Scrutiny Panel, June 2021

# COVID-19 arrangements

## Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16<sup>th</sup> March 2020. The Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online. Appropriate levels of scrutiny and challenge continue to be applied.

Regular reports on the impact of Covid-19 were reported to committees including the Business and Transformation Panel, allowing for oversight and scrutiny. For example, reports on the changes to the Council's governance and finance arrangements as a result of Covid-19 was presented to the Business and Scrutiny Panel, in January 2021 and June 2021. Demonstrating good governance arrangements. All committees have maintained a keen interest in the Council's response to the pandemic.

Operational and Corporate Risk Registers were reviewed and updated accordingly to ensure Covid-19 risks are recorded appropriately, mitigated where appropriate and monitored.

Covid-19 has had an impact on Internal Audit's ability to deliver their Audit Plan during 2020/21. Audit Committee were kept abreast of progress during the year. Twenty three of the twenty-nine originally planned audits were fully delivered, 3 were carried forward into the 2021/22 Audit Plan and 3 were removed from the Audit Plan. The Head of Internal Audit concluded that sufficient audit work had been completed to provide an overall audit opinion. The overall audit opinion was reasonable assurance for 2020/21. Internal Audit did not identify any serious weaknesses in internal controls over the course of the year.

In line with best practice, Internal Audit undertook a fraud audit of Covid-19 business grants made by the Council. The report gave reasonable assurance, with three medium priority recommendations. No significant control weaknesses were identified.

## Improving economy, efficiency and effectiveness

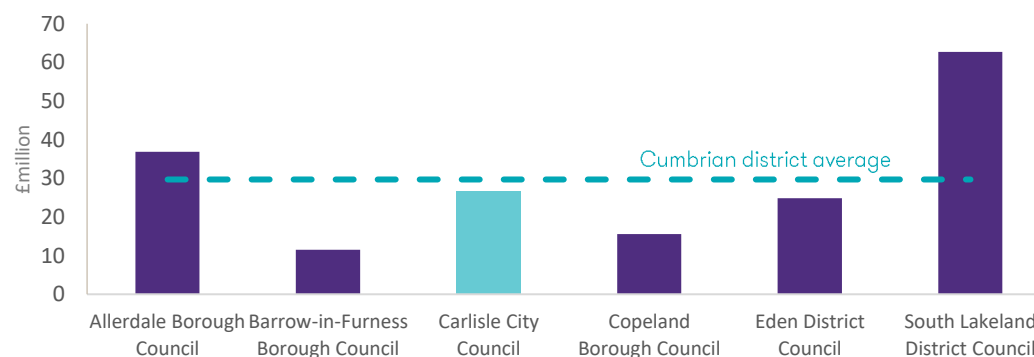
The Council maintained its quarterly reporting of performance against the targets throughout the year to monitor deliver of the Carlisle Plan. Seven out ten non-financial targets were delivered in the context of the Covid-19 pandemic.

The Council recognises partnership working was fundamental during the pandemic and will continue to be during recovery through the Cumbria Covid-19 Recovery Strategy and the City Centre Economic Recovery Action Plan.

When lockdown restrictions were announced, all staff were requested to work from home where possible. The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

This is clearly demonstrated through the Council's successful administered grant funding of £45.302million to businesses and individuals affected by the Covid-19 pandemic. The Council administered £26.610million coronavirus grants to small and medium businesses just under the Cumbrian district average, as shown in the graph to the below. This also equated to grant payments of 96% to eligible businesses.

Coronavirus grant funding: local authority payments to small and medium businesses



# COVID-19 arrangements

We undertook a review of district councils vulnerability to the immediate and medium-term impacts of Covid-19 and how well placed areas are to respond and recover from Covid-19. The vulnerability index considers six socio-economic factors, as shown in the following diagram:



The recovery index focuses on nine indicators:

- year at risk;
- level of reserves as a percentage of gross expenditure;
- house price recovery;
- percentage of businesses in 'at risk' sectors;
- Gross Value Added (GVA) – Covid-19 impact on growth;
- business size (mixture/variance);
- reduction in business rates; and

- net additional dwellings (percentage of total dwellings).

This identified that the Council as highly vulnerable and low on the recovery index. The low recovery index is driven by the Council's level of reserves and house price recovery. Lower house price recovery affects all the Cumbria Districts.

High vulnerability index is due to high/ very high vulnerability within the four socio-economics factors – place, health, social care and financial vulnerability, as outlined in the table below:

## High/ very high vulnerability socio-economic factors:

Health	Further analysis shows that the Carlisle City's has a number of high or very high health vulnerabilities. These include lower life expectancy, high percentage of adults classified as overweight, with diabetes and mental health illness diagnoses, and a high prevalence of smoking.
Place	Another area of high vulnerability is place, which is driven by further distance to travel to food shops, higher levels of social rented properties and premises that do not meet Universal Service Obligation (broadband).
Social care	Similarly to other districts in Cumbria, Carlisle City also has high numbers of children in need, number of child protection plans, older adult supported in residential and nursing settings and patients with learning disabilities.
Financial vulnerability	The Council's high financial vulnerability is driven by level of the reserves and Covid-19 grant received. These factors identified create a high vulnerability and a lower recovery index.

## Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements in responding to the Covid-19 pandemic.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Year raised	Progress to date	Addressed?	Further action?
<b>Capital Projects</b> The total costs on the Sands Centre Redevelopment continues to increase from the initial £14.2 million to £27.2m. Any capital programme overruns should be closely monitored to ensure the Council does not breach its treasury management limits.	Improvement	2020	The Council is ensuring that capital projects are robustly costed and has provided resources for management of capital projects through the 2021/22 budget process. A Project Management Office is also being established for the major projects to be delivered through the Future High Street Fund, Town Deal and St. Cuthbert's Garden Village. The Sands project is monitored on a weekly basis by the internal project manager and key Officers, as well as having regular meetings with the external project support and contractor.	Yes	No
<b>Run Rate</b> A review of the Councils reserves from the past three years and looking at the budgets for the following two years shows the Council has continued to use reserves to fund the 2020/21 budget.	Improvement	2020	Reserves are closely monitored and minimum levels of GF Balance are risk assessed as part of the MTFP prior to the budget process. Any additional requirement from GF Balances requires Council approval and would only be recommended if reserves were maintained above minimum levels. Use of reserves is then also considered as part of the budget process and the fact that the MTFP and budget provide indicative impact of spend over the following 5-years, provides the Council with security that reserves are being maintained at appropriate levels. For 2020/21 the Council was significantly underspent and has increased its level of GF reserves.	Yes	No
<b>Medium Term Financial Plan</b> The medium term financial plan includes various assumptions which includes an increase of income over inflation. As the Council is heavily exposed to reliance on investment income to deliver its financial objectives, the impact on future revenue streams needs very close monitoring and management to maintain the Council's financial health.	Improvement	2020	Income continues to be closely monitored through the budget process and where necessary changes to budgets are reflected. The MTFP for 2022/23 will include greater use of sensitivity analysis and the impact that certain income streams have on the overall budget. Where income is uncertain or subject to increased volatility this will be identified.	Partially	No

# Appendices



# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.





# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 13-15,19-20



# Carlisle City Council Audit Progress Report and Sector Update

**Year ending 31 March 2021/2022**

March 2022



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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 planning 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 Authority or all 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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# Introduction

## Your key Grant Thornton team members are:

### Gareth Kelly

Key Audit Partner

T 0141 223 0891

E Gareth.Kelly@uk.gt.com

### Sophia Iqbal

Engagement Manager 2020/21

### Georgina Philp

Engagement Manager 2021/22

### Hamza Mulla

In-charge

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

The paper also includes:

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

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

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

# Progress at March 2022

## Financial Statements Audit

### 2020/21 audit

We undertook our initial planning for the 2020/21 audit in July 2021. We began our work on your draft financial statements in August 2021.

In July 2021 we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November.

We reported our work in the Audit Findings Report and gave our opinion on the financial statements in November 2021. Our audit report opinion was unmodified.

### 2021/22 audit

We will begin our initial planning for the 2021/22 audit in March 2022. We will issue a detailed audit plan to the July 2022 Audit Committee. The audit plan sets out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements.

We intend to commence our audit of your 2021/22 financial statements in July/ August 2022.

Further details of 2021/22 audit deliverables is detailed on page 7.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

# Progress at March 2022 (cont.)

## Other areas

### Meetings

We met with Finance Officers regularly and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers have been invited to attend our Financial Reporting Workshop in January and February 2022, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

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

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

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

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

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

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	July 2021	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	September 2021	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the Audit Committee.	November 2021	Complete
<b>Auditors Report</b> This includes the opinion on your financial statements.	November 2021	Complete
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.	March 2022	Complete on this agenda



# Audit Deliverables (cont.)

## 2021/22 Deliverables

	Planned Date	Status
<b>Accounts Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements.	July 2022	Not due yet
<b>Interim Audit Findings</b> We will report key findings from our interim audit within our Progress Report.	July 2022	Not due yet
<b>Audit Findings (ISA260) Report</b> The Audit Findings Report will be reported to the September Audit Committee.	September/ October 2022	Not due yet
<b>Auditor's Annual Report</b> The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR).	September/ October 2022*	Not due yet
<b>Auditor's Report</b> This will include our opinion on your financial statements and our other reporting requirements, as set out in 'The auditor's statutory responsibilities' section of this report.	September/ October 2022*	Not due yet

\*We currently understand that, as in 2021, the deadline for completing the VFM work and issuing the Annual Auditors Report will be de-coupled from the main financial statements audit and, again, will need to be completed within three months of the financial statements audit opinion being issued. We will ensure that any changes to the timetable are discussed with Management and your delivery timescales are agreed. The revised statutory deadline for sign off on 2020/21 accounts is 30 November 2022.

# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits - October 2021](#)

Grant Thornton are one of seven firms who currently deliver local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits', which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# FRC report (cont.)

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

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

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

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

Public Sector

Local  
government

# Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

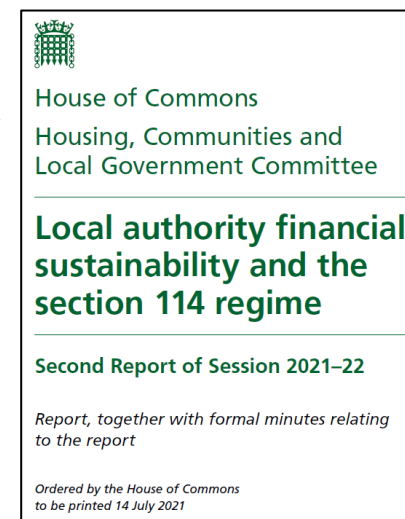
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting  
on local government in  
England**

Eleventh Report of Session 2021–22

# 2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

# 2023-24 audit appointments – Public Sector

## Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psaa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>



# Guide to support Value for Money (VfM) analysis for public managers – CIPFA

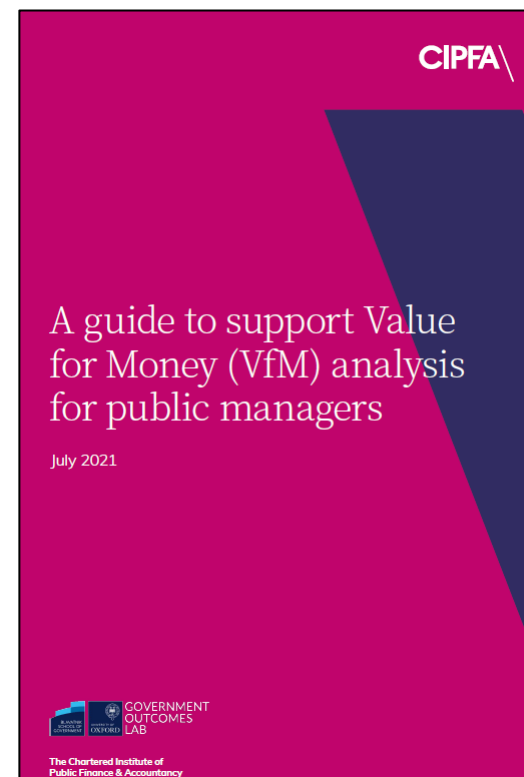
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

# Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment "While the exact scale and nature of local authorities' roles and responsibilities in reaching the UK's national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector's powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government's approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities' overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities' ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach."

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities' reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

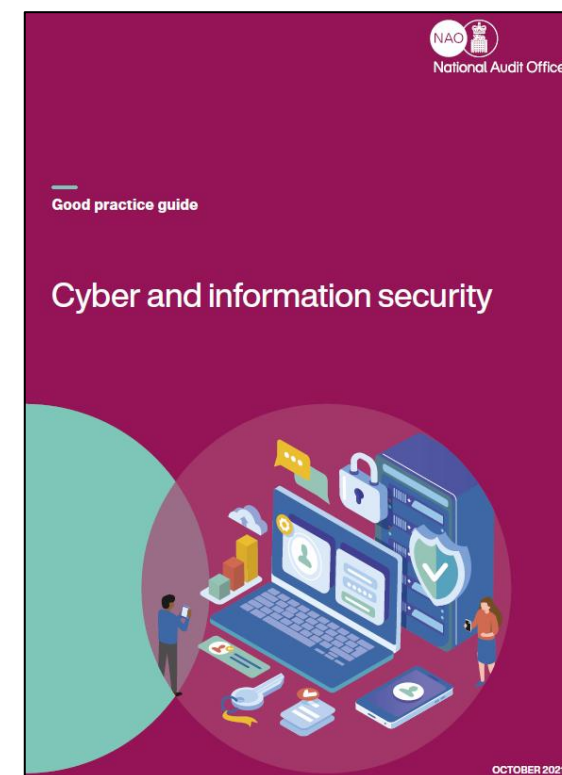
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>







# Carlisle City Council

## Report to Audit Committee

Item  
A.4

### Report details

Meeting Date:	23 March 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	AUDIT COMMITTEE ANNUAL REPORT 2021/22
Report of:	CHAIR OF AUDIT COMMITTEE
Report Number:	RD.74/21

### Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during 2021/22.

### Recommendations:

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

### Tracking

Audit Committee	23 March 2022
Council:	26 April 2022

## 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 Chair of the Audit Committee is required to present an Annual Report on the work of the Audit Committee to the full Council.

## 2. Purpose of the report

2.1 This report summarises the work carried out by the Audit Committee during 2021/22. It demonstrates to Council and stakeholders the effectiveness of the Committee in maintaining the organisation's internal control environment and governance arrangements.

## 2.2 The Committee

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

<b>Conservative</b>	<b>Labour</b>	<b>Independent and Lib Dem</b>
Cllr Meller (Chair)	Cllr Mrs Birks	Cllr Bomford
Cllr Lishman	Cllr Ms Patrick (Vice Chair)	Cllr Allison (Sub)
Cllr Mrs Mitchell	Cllr Dr Tickner (Sub)	
Cllr Mrs Tarbitt	Cllr Wills (Sub)	
Cllr Mrs Finlayson (Sub)		
Cllr Mrs McKerrell (Sub)		
Cllr Shepherd (Sub)		

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

20<sup>th</sup> May 2021 (Special)

8<sup>th</sup> July 2021

28<sup>th</sup> July 2021

24<sup>th</sup> September 2021

11<sup>th</sup> November 2021 (Special)

10<sup>th</sup> December 2021

17<sup>th</sup> March 2022

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

2.2.3 The External and Internal Auditors, the Portfolio Holder for Finance, Governance and Resources, the Corporate Director of Finance and Resources, the Corporate Director of Governance & Regulatory Services and the Designated Head of Internal Audit are invited to all Committee meetings. The Committee can seek attendance



from any officer or Member of the Executive and has exercised this right on several occasions.

2.2.4 At each meeting the Committee receives, for information purposes, the minutes of the Business and Transformation Scrutiny panel.

2.2.5 Training is an essential element for an Audit Committee. The Committee received annual training and are updated on statutory accounting requirements and are alert to the possibility of areas in which their knowledge could be extended.

## **2.3 External Audit**

2.3.1 The Audit Committee received and approved the external auditor's Annual Audit Plan. It commented on the fee rates and work programme consultation carried out by Grant Thornton based on fees set by Public Sector Audit Appointments Ltd, the independent company set up by the Local Government Association with delegated statutory functions to set audit fees and make arrangements for certain audits.

2.3.2 The Audit Committee also received the Annual Findings Report in relation to the Statement of Accounts for both 2019/20 and 2020/21. A judgement was included in the External Auditor's Annual Report indicating whether the Council has adequate arrangements to secure Value for Money in the use of resources. This judgement for 2020/21 is considered elsewhere on the agenda.

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

2.3.4 The proposed external audit fee for 2021/22 was £44,003. A refund of £8,090 from PSAA has also been received.

## **2.4 Internal Audit**

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

2.4.2 The Internal Audit Plan focused on a Risk Based approach to establishing which reviews to undertake and where resources should be focussed.

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

completed audit review from the Designated Head of Internal Audit and the Audit Services Manager.

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

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

<u>Assurance Level</u>	<u>Number of Final Reports</u>
Substantial	0
Reasonable	7
Partial	2
n/a	4
Total	13

2.4.6 As at the date of this meeting, 52% (14 of 27) of planned reviews have been finalised to draft stage and all but one remaining review is in progress.

2.4.7 The Committee concentrates its attention to high priority recommendations made in reports. Where a report carries a partial assurance level, the Committee usually receives a verbal update from the relevant Chief Officer or Service Manager to outline how the review is being dealt with and how the assurance can be improved. Where a partial assurance is given, the Internal Audit team will perform a formal follow up within six months and report back to the Audit Committee to outline how recommendations have been implemented and whether the assurance level has increased.

2.4.8 The Internal Audit team operate under the guidelines laid down by the Public Sector Internal Audit Standards and the Council also has an Audit Charter in place that is brought to the Committee for approval annually.

2.4.9 Internal Audit also provide assurance through an Annual Report that the Council's overall control environment is satisfactory and whether any key weaknesses should be addressed in the Annual Governance Statement. This report was received in July 2021 and highlighted no new areas of concern.

## **2.5 Accounts**

2.5.1 The Committee considered the Council's final statement of accounts for 2019/20 at its May meeting and the final statement of accounts for 2020/21 at its November

meeting with both meetings also receiving the External Auditor's Audit Findings Reports.

2.5.2 The External Auditor also reported whether the Council has proper arrangements in place for securing Value for Money. This is considered elsewhere on the agenda.

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

## **2.6 Corporate Governance**

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

## **2.7 Treasury Management**

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

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

## **2.8 Risk Management Monitoring**

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

## **2.9 Fraud Prevention and Whistleblowing**

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

## **3. Conclusion and reasons for recommendations**

3.1 Audit Committees are a key component of an authority's governance framework. The purpose of an audit committee is to provide independent assurance on the

adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.

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

3.3 Covid restrictions on workplace practices have forced some delays which have been largely overcome by the hard work of the officers and external auditors. My thanks to them along with the Vice Chair and the Committee for their support and understanding.

#### **4. Contribution to the Carlisle Plan Priorities**

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

#### **Contact details:**

Contact Officer: Steven Tickner

Ext: 7280

#### **Appendices attached to report:**

**Appendix A Rules of Governance**

**Appendix B Audit Committee Agendas**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

#### **Corporate Implications:**

**Legal** - The administration of the Council and its financial transactions must be subject to some form of check and accountability. In addition to political accountability through elected members and central government, and judicial review through the courts, there is accountability and control through the audit system. Internal audit controls are governed

mostly by the non-statutory codes of practice developed by the profession. External audit controls are subject to a much greater body of law and, while always important, became more extensive in recent years. This Report forms part of our Governance procedure to provide reassurance that the Council operates properly and that there are checks in place to ensure maintain and improve that position.

**Property Services** - None

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

**Equality** - None

**Information Governance** - There are no information governance implications with this report

## RULES OF GOVERNANCE

### 1. **STATEMENT OF PURPOSE**

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

### 2. **TERMS OF REFERENCE**

#### 2.1 **Audit Activity**

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

To consider summaries of specific internal audit reports as requested.

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

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

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

To consider specific reports as agreed with the external auditor.

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

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

To commission work from internal and external audit.

#### 2.2 **Regulatory Framework**

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

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

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

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

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

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

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

### **2.3 Accounts**

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

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

To approve the Letter of Representation

## **3. ACCOUNTABILITY**

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

## **4. AUTHORITY AND ACCESS**

- 4.1 The Audit Committee has a right to request relevant information from appropriate or relevant Members and Officers of the Council.
- 4.2 The Audit Committee shall not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny Panels and other Regulatory Committees.
- 4.3 The Audit Committee shall have access to in-house financial, legal and any other professional advice necessary to carry out its functions.
- 4.4 The Chair of the Audit Committee and the external and internal auditor shall meet as necessary and the Council's Designated Head of Internal Audit shall provide necessary services and support and assistance to the Audit Committee.
- 4.5 Any Member, Officer or member of the public who has any concern covered by the Terms of Reference of the Audit Committee may raise the matter with the Chair of the Committee who shall obtain, if necessary, relevant advice from the Council's Monitoring Officer or the Section 151, Corporate Director of Finance and Resources before taking any action with regard to the same.

## **5. MEMBERSHIP**

- 5.1 Audit Committee members shall be appointed by the Council and consist of 7 members in accordance with the rules governing political balance. No member of the Executive and no chair of the Overview and Scrutiny Panels shall be eligible to be a member of the Audit Committee.

- 3.1 The Audit Committee shall be provided with administrative support by the Governance & Regulatory Services Directorate and reports/decisions of the Audit Committee shall be recorded and published on CMIS in the usual way. Financial Services shall provide technical support to the Committee when required. As the decisions of the Audit Committee shall not be of an executive nature, the decisions shall not be the subject of a request for call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chair of the Audit Committee, the Monitoring Officer and/or the Section 151 Finance Officer and/or ask an oral question of the Chair of the Audit Committee at the Council meeting in accordance with the relevant Council Procedure Rules.

## **6. ATTENDANCE**

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

- The Leader or Deputy Leader
- The Portfolio Holder for Finance
- Portfolio Holders
- Town Clerk and Chief Executive
- Corporate Director of Finance and Resources (Section 151)
- Corporate Director of Governance and Regulatory Services (Monitoring Officer)
- Designated Head of Internal Audit
- Other Chief Officers and Managers, as required

- 6.2 Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Audit Committee shall at least annually meet:
- (i) in private, with the external and internal auditors together; and/or
  - (ii) in private, with the external auditor.

## **7. MEETINGS**

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

## **8. QUORUM**

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

## **9. WORK PROFILE OF THE AUDIT COMMITTEE**

- 9.1 In furtherance of the Terms of Reference and not otherwise, the Audit Committee is likely to receive and advise upon the following areas of work:
- Whether there is an appropriate culture of risk management and related control throughout the Council;
  - the Annual Governance Statement;



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

## 9.2 External Audit and Inspection Agencies

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

## 9.3 Corporate Governance Framework

- To review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management.
- To give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.
- To review the Annual Governance Statement and make appropriate recommendations to the Council, the Executive, the Overview and Scrutiny Panels and Regulatory Committees.
- To ensure that any significant weaknesses identified are remedied.
- To commission, if necessary, any relevant investigations into matters of particular concern relating to internal control.

- To ensure that the impact of any alleged or fraudulent activity on the Council's framework of internal control is reviewed and, where necessary, to recommend changes to strengthen the control framework.
- To receive reports relating to those aspects of whistle blowing or alleged or actual fraudulent activity which relate to the Terms of Reference of the Audit Committee.

#### 9.4 Internal Audit

To review and make recommendations to the Executive regarding:

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

#### 9.5 Other

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

## **Audit Committee Agenda's**

### **20<sup>th</sup> May 2021 (Special)**

- A1. External Audit Findings for Carlisle City Council
- A2. Statement of Accounts 2019/20
- A3. Letter of Representation 2019/20
- A4. Housing Subsidy Grant Letter 2019/20

### **8<sup>th</sup> July 2021**

- A1. Minutes of Business & Transformation Scrutiny Panel
- A2. Audit Fee Letter 2020/21
- A3. Draft Statement of Accounts – Update Report
- A4. Treasury Management Outturn 2020/21
- A5. Internal Audit Progress 2020/21 (March – June)
  - Internal Audit Report – Debtors
  - Internal Audit Report – Economic Development – Major Funding Governance
  - Internal Audit Report – Homeless Accommodation (Part 2)
  - Internal Audit Report – Payroll
  - Internal Audit Report – Electoral Registration
  - Internal Audit Report – Environmental Strategy Baseline (Follow Up)
  - Internal Audit Report – Business Grants Covid 19 (Fraud)
  - Internal Audit Report – Housing Benefits (including Revenue Recovery)
  - Internal Audit Report – Driver Checks (Follow Up)
  - Internal Audit Report – ICT Various Recommendations (Follow Up)
- A6. Internal Audit Progress April to June 2021/22
- A7. Internal Audit Annual Report 2020/21
- A8. Technical Update and Consultations

### **28<sup>th</sup> July 2021**

- A1. Annual Audit Letter 2019/20
- A2. External Audit Plan 2020/21
- A3. Draft Annual Governance Statement 2020/21
- A4. Draft Statement of Accounts 2020/21

### **24<sup>th</sup> September 2021**

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. External Audit Progress Report and sector update
- A3. Internal Audit Progress Report 2021/22 (July to September)
  - Internal Audit Report – Community Services
  - Internal Audit Report – Third Sector Grant Funding
- A4. Treasury Management April – June 2021

- A5. Technical Update and Consultation Responses
- B1. Outstanding Audit Recommendations (ICT)

11<sup>th</sup> November 2021 (Special)

- A1. External Audit Findings Report
- A2. Statement of Accounts 2020/21
- A3. Letter of Representation 2020/21

10<sup>th</sup> December 2021

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. Value for Money Update
- A3. Internal Audit Progress 2021/22 (October – November)
  - Internal Audit Report – Corporate Internal Controls
  - Internal Audit Report – Environmental Strategy
  - Internal Audit Report – Disabled Facilities Grants
  - Internal Audit Report – Neighbourhood Services (Culture)
- A4. Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23
- A5. Treasury Management Quarter 2 2021/22 and forecasts 2022/23 to 2026/27
- A6. Statement of Accounts 2021/22 – Update
- A7. Local Audit and Accountability Act 2014 – Appointment of External Auditors
- B1. Annual Review of Counter Fraud Arrangements

23<sup>rd</sup> March 2022

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. External auditor's annual report – value for money 2020/21
- A3. Audit Committee Annual Report
- A4. Internal Audit Progress 2021/22 (December 2021 to February 2022)
- A5. Internal Audit Plan 2022/23
- A6. Treasury Management October to December 2021
- A7. Technical Update and Consultations
- B1. Technical Update and Consultations Appendices
- B2. Risk Based Verification Policy Review

Meeting Date: 23 March 2022  
Portfolio: Finance, Governance and Resources  
Key Decision: Not applicable  
Within Policy and Budget Framework YES  
Public / Private Public

Title: INTERNAL AUDIT PROGRESS 2021/22 (DECEMBER-FEBRUARY)

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES

Report Number: RD80/21

## Purpose / Summary:

This report provides an overview of the work carried out by Internal Audit between December and February of 2021/22. The report also includes information on progress against the agreed audit plan, performance indicators, previous audit recommendations and amendments to the Internal Audit plan.

## Recommendations:

The Committee is requested to

- i) note the progress against the audit plan for 2021/22;
- ii) receive the final audit assignments as outlined in paragraph 2.2;
- iii) note the progress made on audit recommendations to date outlined in Appendix B.

## Tracking

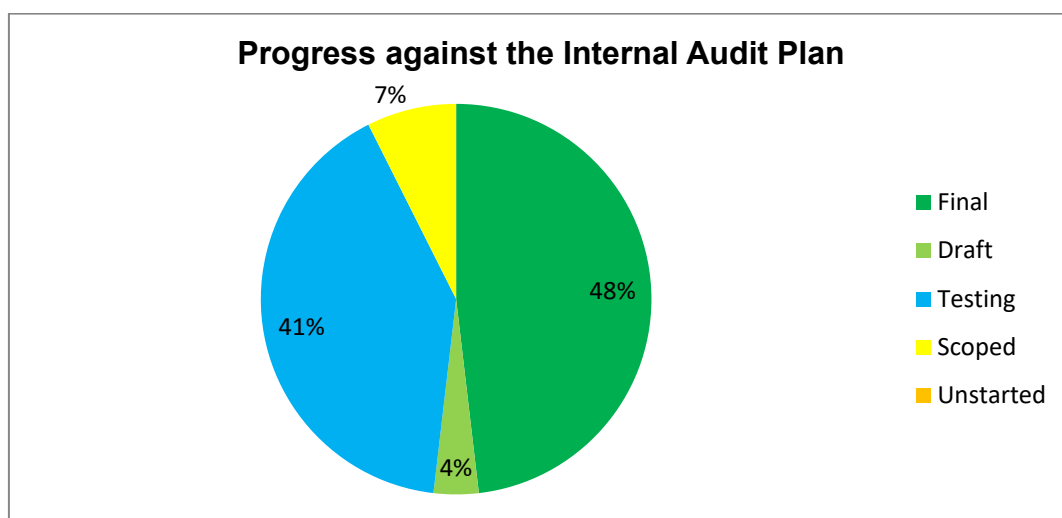
Audit Committee:	<b>23 March 2022</b>
Scrutiny Panel:	<b>Not applicable</b>
Council:	<b>Not applicable</b>

## 1. BACKGROUND INFORMATION

- 1.1 Management is responsible for establishing effective systems of governance, risk management and internal controls. It is the responsibility of management to establish appropriate arrangements to confirm that their systems are working effectively, that all information within them is accurate and that they are free from fraud or error.
- 1.2 Internal Audit's role is to provide independent assurance to senior management and the Audit Committee over the adequacy and effectiveness of management's arrangements for governance, risk management and internal control.

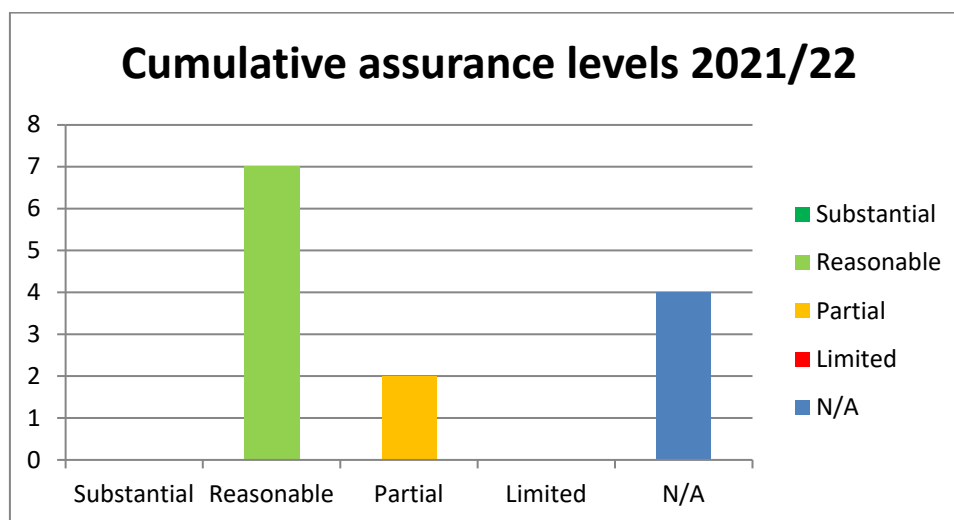
## 2. PROGRESS AGAINST AUDIT PLAN

- 2.1 Progress against the 2021/22 audit plan is detailed at **Appendix 1**. 52% of current planned reviews have been finalised to draft and all remaining audits are underway or finished.



- 2.2 It should be noted that three of the audits in testing are advanced to near completion. These reviews were expected to also be completed in the period, but delays have occurred due to availability of audit clients due to additional pressures.
- 2.3 4 planned pieces of work were completed in the period.

Review Area	Assurance Level
Workforce Development and Training	Reasonable
Financial Services Governance Arrangements	Reasonable
Covid Grants	Partial
Scheme of delegation (No report – see below)	N/A



2.4 A short review of the Scheme of Delegation was completed in the period, with findings reported to Senior Management via memorandum. Schemes are in place and were found to be fit for purpose. Some minor improvements have been suggested.

2.5 Audit resource was also utilised in the period on the following:

- Preparation of the Internal Audit plan and Charter 2022/23 (reported elsewhere on the agenda)
- Confidential fraud investigation (ongoing)
- Audit advice to Accountancy Services in relation to proposed changes to systems and processes following removal of cheque printing facility.

2.6 As reported to the previous committee, the draft audit report for Property Services Income was issued in August 2021 giving a draft opinion which raised a number of concerns. Response from the client has been delayed due to resourcing issues within the department. The main control concern identified relates to the reconciliation between different systems used by the Council in setting and collecting rental income. The root cause of the differences between the systems is still being explored and further work and discussions are still required to agree the content of the report

### 3 PERFORMANCE INDICATORS

3.1 To provide an effective internal audit service, there needs to be a measure of the performance it achieves. The table below shows progress against indicators agreed for 2021/22.

Indicator	Target (YTD)	Performance	Comments
Planned Audits Completed	82.5%	48%	Annual target 90%
Timely Draft Reports (within 3 months of fieldwork starting)	80%	58%	

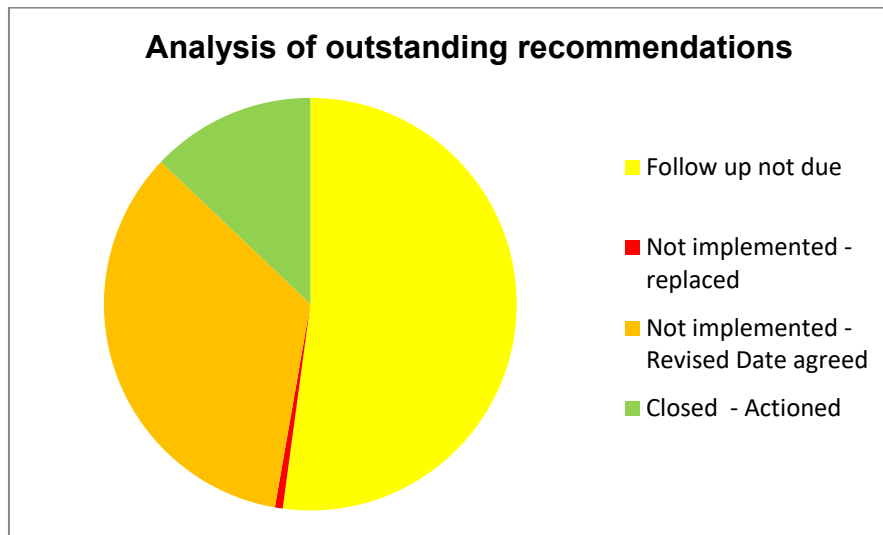
Timely Final Reports (within 8 days of client response)	90%	100%	
Recommendations Agreed	95%	100%	
Assignments completed (within 10% of allocated resource)	60%	70%	
Positive feedback	90%	100%	
Chargeable time	80%	66%	
Recommendations implemented first time	80%	35%	

- 3.2 Progress on the plan has been impacted by the long-term sickness absence / phased return within the team. However, good progress has been made following amendments to the plan. It is anticipated that the majority (if not all) outstanding audits will be completed prior to the Annual Audit opinion in June 2022. It should be noted the 2022/23 Internal Audit plan includes a contingency for completing the current year's plan.

#### 4 AUDIT RECOMMENDATIONS

- 4.1 **Appendix B** shows a summary position of outstanding audit recommendations and progress made against implementing these. Once the agreed implementation date has passed, internal audit will ask the responsible officer for an update of progress. The responses will then be reported to the next available Audit Committee meeting and, if implemented, will then be removed from the list so that only outstanding recommendations remain. Where the recommendations relate to a partial assurance audit, these will be subject to a formal follow up and will be reported back to Audit Committee separately. New recommendations will be added to the list once final reports are agreed.
- 4.2 21 recommendations out of 74 followed up were found to have been fully implemented (15 in line with original agreed timescales) and are now closed.





4.3 The implementation of agreed actions is a growing cause for concern, with the vast majority (71%) of recommendations reviewed in the period not implemented in line with timescales provided.

4.4 The impact of Local Government Reorganisation has had an impact on implementation of agreed actions; however, there is a growing lack of responses from audit clients. This failure to engage reduces the added value that Internal Audit provides to the achievement of business objectives.

4.5 Outstanding recommendations have been reported to Senior Management on a regular basis. Internal Audit will continue to work closely with responsible managers to try and improve implementation.

## **5. RISKS**

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

## **6. CONSULTATION**

6.1 not applicable

## **7. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

The Committee is requested to

- i) note the progress against the audit plan for 2021/22;
- ii) receive the final audit reports as outlined in paragraph 2.3;
- iii) note the progress made on audit recommendations to date outlined in Appendix B.

**8. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

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

**Contact Officer: Michael Roper**

**Ext: 7520**

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

- **None**

**CORPORATE IMPLICATIONS/RISKS:**

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

**Finance** – Contained within the report

**Equality** – **None**

**Information Governance** – **None**

**CARLISLE CITY COUNCIL**  
**PROGRESS AGAINST REVISED AUDIT PLAN 2021/22**

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services	MFS	Internal Control Questionnaires - Non Audited Systems	2	2	Final	N/A	N/A	
Health & Well-being	VFM	Small grant payments (Community Services)	10	9	Final	Sep 21	Reasonable	
Council-wide	Governance	Good Governance Principles / Local Code of Conduct	5	8	Final	N/A	N/A	
Health & Well-being	Directorate	Community Centres	20	22	Final	Sep 21	Reasonable	
Council-Wide	Corporate	Environmental Strategy	20	22	Final	Dec 21	Reasonable	
Neighbourhood Services	Directorate	Neighbourhood Services (Culture Review)	15	27	Final	Dec 21	Partial	
Council-Wide	Counter-Fraud	Annual fraud review	5	5	Final	Dec 21	N/A	
Regulatory Services	Directorate	Disabled Facilities grants	10	11	Final	Dec 21	Reasonable	
Council-Wide	Corporate	Corporate Internal Controls	5	5	Final	Dec 21	Reasonable	
Organisation Development	Directorate	Workforce Development and Training (inc Workforce Strategy and e-learning)	20	21	Final	Mar 22	Reasonable	
Financial Services	MFS	Financial Services Governance Arrangements	5	5	Final	Mar 22	Reasonable	
Revenues and Benefits	Counter-Fraud	Covid Grants	20	22	Final	Mar 22	Partial	
Council-Wide	Corporate	Scheme of delegation	5	5	Final	Mar 22	N/A	
Property Services	Directorate	Property Income	15	22	Draft			Para 2.6
Community Services	Directorate	Sands Centre Redevelopment	20	22	Near draft			
Revenues & Benefits	MFS	Council Tax	20	19	Near draft			
Council-Wide	Counter-Fraud	National Fraud Initiative	10	10	Near draft			
Council-Wide	Consultancy	Business Continuity & Emergency Planning	10	4	Testing			

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Neighbourhood Services	Directorate	Recycling (Perf Info)	10	20	Testing			
Development Control	Directorate	Development Control (Complaints procedure)	10	6	Testing			
Development Control	Directorate	Future High Street Fund	15	7	Testing			
Financial Services	MFS	Creditors (including cheque control)	15	3	Testing			
Financial Services	MFS	Main Accounting System & Budget Monitoring (inc MTFP)	15	16	Testing			
ICT	Follow Up	ICT Recommendations	5	-	Testing			
Financial Services	Counter-Fraud	Procurement review	10	8	Testing			
Digital Services	Directorate	Cyber-Security	20	-	Scoping			
Property	Directorate	Building Maintenance	20		Mgmt request			
Follow-up contingency			30	29				
Counter Fraud Contingency			10	10				
Advice & Guidance Contingency			10	6				
Contingency (2020.21)			36	51				
Audit Committee			16	20				
Planning & Management			55	69				
<b>OVERALL TOTAL</b>			<b>494</b>	<b>488</b>				

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Due	Status
B1703	Flexitime & Toil (Reasonable)	The use of the Flexi bank procedures should be reviewed to ensure they are applied consistently.	M	Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Use of flexi bank procedures will be reviewed alongside the flexi policy and additional guidance issued to Managers and staff, if appropriate.	HR Manager	31 March 2019	31 March 2022	5	Y	Simplified and clear guidance issued following end of initial working from home restrictions (Sep 21) including replacement of Zeus with manual process to be managed by line managers. Closed.
B1703	Flexitime & Toil (Reasonable)	The policy should be more specific with regards to guidance for travel for courses / training.	M	Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Existing guidance for travel time, expenses and mileage will be updated for Managers and staff to supplement the current Flexitime scheme.	HR Manager	31 March 2019	31 March 2022	5	Y	Guidance online includes separate policy in relation to travelling for courses and training. Closed.
B1901	Customer Services Performance Data (Reasonable)	Recommendation 3 - The Customer Services Manager should liaise with ICT Services to ensure that the telephony system needs are correctly assessed and that a suitable solution is procured.	M	Unable to accurately monitor and report the actual performance of the team.	Preliminary demos have taken place with all findings forwarded to IT Services / ICT Services to implement Civic wide telephony plan prior to the implementation of the new Customer Contact Centre system.	Customer Service Manager / ICT Services	Completed	31 December 2021	2	Y	Business Case for system prepared by Customer Services to ensure system meets their requirements. Completion delayed as replacement telephony system tied up with PCI-DSS compliance review. Closed, as remaining actions superseded by Income Management recommendations.
A1802	Smarter Service Delivery (Reasonable)	A process should be developed to archive and/or delete personal information held within both Salesforce and My Account, in line with suitable retention periods.	M	Council in possession of unnecessary personal information. Risk of breaching data protection legislation. Risk of fines and sanctions.	Scheduled deletion and disposal report tool is currently being configured. MyAccount specific privacy policy is being introduced with appropriate retention schedules applied.	Customer Services Manager	31 August 2018	31 March 2022 (review)	6	LGR	Implementation of this recommendation has been continuously delayed due to ongoing resource shortages within ICT Services and is unlikely to be implemented until after LGR without significant investment. An assessment of risk exposure was issued to the relevant Senior Manager (Chief Executive) who has requested further analysis to determine costs of earlier implementation.
E1802	Homelessness Services (Substantial)	The Council should obtain clarity on their responsibility for data processed by the Choice-Based Lettings project	M	Unclear responsibilities for protection of personal information.	Meeting of CBL Executive arranged to approve data breach policy.	Homelessness Services Manager.	31 January 2019	31 March 2022	6	Y	Joint controller and information sharing agreement in draft format. Reliant on third parties to prepare (delay outside of Council's hands). Reminders issued in formal meeting. Deadline extended.
B1804	Casual, Interim & Agency (Reasonable)	A process to cover the administration of agency, casual and intermediary staff should be completed and approved, including ensuring all posts are approved and that use is monitored on an ongoing basis.	H	If procedures and processes are not clearly documented there is a risk that service objectives are not achieved as officers may be unsure of their roles and responsibilities. There is also a risk that this may result in sanctions, litigation and reputational damage to the Council, in addition to the additional financial burden of unapproved staff in post	Existing council policies will be reviewed and amended, as necessary, to include all classes or workers and employees.	HR Manager	30 April 2019	31 March 2022	4	H	Review of process proposed to commence in Autumn 2021, with completion anticipated by close of 2021/22.
A1801	Information Governance (Reasonable)	Recommendation 5 – Assurances should be obtained that all officers without access to a network account have received appropriately targeted training regarding their obligations in relation to records management.	M	Staff unaware of regulatory requirements.	Managers with staff who do not have network access will be listed, provided with support and asked to confirm in writing that they have ensured their staff have received appropriate training and information.	Health and Wellbeing Manager	14 June 2019	31 January 2022	5	Y	Training was scheduled for March 2020, but was postponed due to Covid-19 pandemic and has now been delivered. Evidence of attendance provided. Closed
A1801	Information Governance (Reasonable)	Recommendation 9 – Further work is required to ensure the Council stores and disposes of records in line with what is stated in its retention schedules, including particular work required from an ICT perspective.	M	Council retains unnecessary information	The Council's ICT systems will be reviewed to enable and support the deletion of electronic data. A review of the retention schedules and disposal logs will be added to the Information Governance Inspection Checklist.	ICT Services Manager/ Information Governance Manager	02 August 2019	31 March 2022	1	Y	Progress ongoing: ICT are pursuing decision via Officer Decision Notice to enable deletion of archived e-mails. Further work is ongoing to improve records management through the Risual Office 365 project and a proposed Kickstart programme, but there are delays to the vacated Information Governance Manager post and there is a requirement for the Council to ensure a process is in place to delete all irrelevant and out of date information prior to transfer to the new authority.

A1801	Information Governance (Reasonable)	Recommendation 14 – The Council's Home-working guidance and self-assessment should be updated to reflect GDPR requirements	M	Data breach due to insecure working practices as part of home-working.	The Council's Home-working guidance and self-assessment will be updated to reflect GDPR requirements and re-issued for completion and sign off by managers of staff who work from home	Information Governance Manager / HR Manager	21 June 2019	31 March 2022	4	Y	Agile working policy initially drafted early 2020 including working from home data-protection self-assessment; however impact of pandemic and resource shortages has resulted in delays in completion. Following discussion around risk exposure it was agreed a short supplementary policy to cover agile working arrangements is created covering controls over physical, electronic and verbal information. An informal working group covering key areas of expertise within the Council has provided feedback to inform the policy.
B1801	Allowances, Travel & Subsistence (Employees) Reasonable	Recommendation 8 – Consideration should be given to implementing an electronic claim form to improve the legibility, efficiency and internal controls of the travel payment process, including consideration of set mileage for common journeys.	M	Allowances and expenses are not claimed and paid within the Council's current rules and regulations.	This needs to be discussed & investigated further to see if it is time and cost effective. This will be looked in line the i-Trent review which is due to be undertaken in 2020.	HR Manager	30 April 2021	Deferred to new authority following LGR.	1	Y	Review was initially delayed due to vacant Head of Service Post. Following a review of risk exposure the relevant Senior Manager has agreed completion of this recommendation will be deferred to new authority.
A1902	Absence Management (Partial)	Recommendation 3 – the policy should be revised to ensure it can deliver a consistent and fair approach, including incorporation of actions to address the issues identified within this audit.	H	Inconsistent approach results in failure to manage absences and also potential disciplinary action and employment tribunals.	Task and finish group has been established made up of members and HR to review. First virtual meeting scheduled w/c 15 <sup>th</sup> June 2020	HR Manager	31 <sup>st</sup> December 2020			H	New policy in place (audit consulted as part of approval process). Full formal review delayed until 22.23 to allow time for Policy and new practices to be embedded (Approved by AC July 21 .
A1902	Absence Management (Partial)	Recommendation 7 – Template forms should be revised and consideration should be given to developing a more intuitive electronic process.	H	Forms do not provide relevant information of inform appropriate corrective action, resulting in increased absence. Potential issues in the result of disciplinary action. Forms not completed correctly resulting in accurate information.	As Recommendation 3 review of Policy will ensure new and easier forms & recoding methods. Every attempt will be made to utilise our current systems and/or electronic reporting.	HR Manager	31 <sup>st</sup> December 2020			H	New policy in place (audit consulted as part of approval process). Full formal review delayed until 22.23 to allow time for Policy and new practices to be embedded (Approved by AC July 21 .
A1902	Absence Management (Partial)	Recommendation 8 – Monitoring, training and support should be provided to managers to ensure a consistent approach is taken towards managing individuals who have hit key trigger points.	H	Inconsistent approach creating difficulties in the event of disciplinary action. Ineffective/excessive action taken, both of which could contribute to increased absence.	As Recommendation 4 review of Policy will ensure new and easier triggers and policy should limit any ambiguity.	HR Manager	31 <sup>st</sup> March 2021			H	New policy in place (audit consulted as part of approval process). Full formal review delayed until 22.23 to allow time for Policy and new practices to be embedded (Approved by AC July 21 .
A1902	Absence Management (Partial)	Recommendation 11 – A process for ensuring absence information is retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired.	H	Increased risk of data breaches, resulting in non-compliance of data protection legislation. Wasted resource used to store duplicate records.	HR and Payroll are moving to electronic only records. All referrals and absence related data should only be kept by HR and Payroll and revised policy will include sections on data retention.	HR Manager	31 <sup>st</sup> December 2020 (could be earlier as not dependent on Policy review)			H	New policy in place (audit consulted as part of approval process). Full formal review delayed until 22.23 to allow time for Policy and new practices to be embedded (Approved by AC July 21 .
A1903	Information Security (N/A - Memo)	R1. - A joint ICT and Information Governance document detailing planned and ongoing action to implement Information Security improvements should be created and managed.	M	Required improvement actions are not adequately recorded and managed resulting in reduced efficiency and inability to achieve the desired outcome.	A joint ICT and Information Governance Action Plan detailing planned and ongoing action to implement Information Security improvements will be created and managed.	Lead ICT Officer Infrastructure Management/ Information Governance Manager	31-Aug-21	31 March 2022 (review)	1	Y	Significant work has been undertaken to address issues with information security since the employment of the Head of Digital and Technology, and specific actions are intended in the future within future projects. In addition to these projects, the Information Governance Assurance Group, which held its first meeting on 27th May 2021 was to be presented with an action plan. However, the Information Governance Manager post has now been vacated. The Council are currently reviewing responsibility for records management and this action will be delayed until this is established.
A1903	Information Security (N/A - Memo)	R2. - The development and implementation of an Information Asset register should be included within a joint ICT and Information Governance action plan.	M	Information assets are not adequately identified or recorded.	Development of a corporate Information Asset Register will be added to the joint ICT and Information Governance action plan and will take into consideration existing lists of assets and information processing, with the potential to link them together.	Information Governance Manager	31-Aug-20	31 March 2022 (review)	1	Y	As above, this was to be addressed by the Information Governance Assurance Group but has been delayed until responsibility for records management is established.
A1903	Information Security (N/A - Memo)	R3. – Corporate risks relating to Information Governance and Information Security should be formally identified, recorded, assessed and managed.	M	Exposure to unidentified/uncontrolled risks.	A review of existing risks and identification of other potential risks will be undertaken to ensure the Council's risk exposure is accurate and up to date.	ICT Lead Officer Infrastructure/ Information Governance Manager	31-Aug-21	31 March 2022 (review)	1	Y	As above, this was to be addressed by the Information Governance Assurance Group but has been delayed until responsibility for records management is established.

D1901	Tullie House (Reasonable)	Recommendation 6 – The Council should obtain regular assurances regarding the Trust's risk management and develop a system to manage shared risks.	M	Failure to manage risk / make key decisions on a timely basis.	Explore option for shared risk register at next contract monitoring meeting and implement	Health & Well-Being Manager	31st May 2020	31 March 2021	3	Y	Shared risks discussed at contract meetings and risk registers shared between parties. Closed.
D1901	Tullie House (Reasonable)	Recommendation 8 – The Council should obtain assurances that performance information represents value for money and continuous improvement	M	Failure to ensure delivery of VFM.	To be discussed at next contract monitoring meeting and actions agreed and recorded	Health & Well-Being Manager	26-Feb-20	30 May 2022	3	Y	Started, but was on hold as both organisations need to prioritise response to Covid-19 pandemic. Revised date agreed. Revised date agreed.
D1902	Bereavement Services (Reasonable)	Recommendation 1 – A review of the procedure notes should be undertaken.	M	Procedural changes are not formally recorded and a lack of service continuity in the absence of staff.	Procedure notes will be reviewed and updated where necessary.	Bereavement Services Manager	30 <sup>th</sup> Nov 2020	30 July 2022	2	Y	Delayed due to absence/vacancies within the team. Procedures to be updated by new Head of Service. IA have provided guidance on where old procedures are located.
D1902	Bereavement Services (Reasonable)	Recommendation 2 – Management should ensure that the identified team priorities are addressed.	M	Identified critical factors which hinder the service are not addressed.	Once R3 is implemented a new appraisal will be completed and team priorities addressed.	Bereavement Services Manager	30 <sup>th</sup> June 2020	30 July 2022	2	Y	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by June 2022. Appraisal process and new Service Plan will be developed to include team priorities.
D1902	Bereavement Services (Reasonable)	Recommendation 4 - The Provision of Crematoria Mutual Aid agreement should be reviewed and updated to ensure that it complies with legislation.	M	Exceeding budget with the use of casual staff.	Discussions will be held with Copeland Council and Legal Services to update the agreement to ensure it is covering the necessary legislation	Bereavement Services Manager	30th April 2020	30 July 2022	2	Y	Delayed due to absence/vacancies within the team. Alternative action under consideration, as unlikely to update full agreement prior to LGR.
D1902	Bereavement Services (Reasonable)	Recommendation 5 – The retention schedule and privacy statement should be reviewed to ensure the same retention period is applied.	M	Non-compliance with GDPR legislation resulting in service user details being shared without permission.	The retention schedule will be updated to reflect the current practices and the privacy statement. Discussion will be held with the Information Governance Manager.	Bereavement Services Manager	30th April 2020	30 July 2022	2	Y	Delayed due to absence/vacancies within the team. Internal Audit have provided previous documents and suggested Bereavement Services work with Records Management to align both documents.
D1902	Bereavement Services (Reasonable)	Recommendation 7 – The memorial forms should be reviewed so that service users are aware their data is being sent to a third-party provider.	M	Non-compliance with GDPR legislation.	Memorial forms will be reviewed and updated accordingly.	Bereavement Services Manager	30th April 2020	30 July 2022	2	Y	Delayed due to absence/vacancies within the team. Internal Audit have suggested Bereavement Services work with Records Management to align both documents.
D1902	Bereavement Services (Reasonable)	Recommendation 10 – The premises handbook should be completed in full.	M	Non-compliance with Council procedures.	Full review of the premise's handbook will be completed.	Bereavement Services Manager	30th Nov 2020	30 July 2022	2	Y	Delayed due to absence/vacancies within the team. Agreed Property Services will liaise with Bereavement Services.
D1902	Bereavement Services (Reasonable)	Recommendation 12 – The Surveillance Camera Operating Procedure should be completed, and the signage updated in line with the procedure.	M	Non-compliance with Council procedures.	The Surveillance Camera Operating Procedure will be completed and implemented.	Bereavement Services Manager	30th April 2020	30 July 2022	2	Y	Delayed due to absence/vacancies within the team. Internal Audit have suggested Bereavement Services work with Records Management to prepare policy.
D1905	Tourist Information Services (Reasonable)	Recommendation 4 - Formal agreements, including data processing agreements should be set up with all third parties that the service processes personal information for. A copy of each third party's privacy notice should be provided and retained.	M	Non-compliance with GDPR legislation resulting in service user details being shared without permission.	Formal agreements, including data processing agreements will be set up with all third parties.	Destination Manager	03 February 2020	31 January 2021	3	Y	Not been possible to complete due to disruption of Covid-19. Proposed review date agreed. No progress identified as part of Q2 follow up
D1905	Tourist Information Services (Reasonable)	Recommendation 11 - The relevant fees and charges schedule should be reviewed as part of the next budget process to ensure it accurately reflects all rates and charges.	M	Failure to obtain value for money for services provided	All fees and charges are now included in the financial process.	Destination Manager	01 October 2019	31 March 2022	3	Y	Relevant update not included as part of latest fees and charges reporting cycle (2022/23). Review of risk exposure indicates update necessary and amendment to be reported to Executive.
D2002	City Centre (Reasonable)	Recommendation 4: A privacy notice should be completed to cover the city centre management, including pavement café licences, promotions and events. Application forms should also be updated to include the relevant privacy information.	M	Non-compliance with GDPR legislation. Failure to control records management.	Destination Manager to prepare a privacy notice for the service.	Destination Manager	29-Jan-21	30 August 2021	2	Y	Privacy statement prepared and published on City Council website. Application forms updated. Closed
D2002	City Centre (Reasonable)	Recommendation 7: Delegated authority / responsibility for issuing pavement café licences should be included in the relevant Scheme of Delegation.	M	Pavement café licences may be granted / rejected without proper authorisation which may lead to reputational damage to the Council.	Health and Wellbeing Services Manager to include pavement café licences in the relevant Scheme of Delegation.	Health and Wellbeing Services Manager	29-Jan-21	31 March 2022 (review)	2	Y	Process started to update scheme of delegation. Not complete at time of review.
D2002	City Centre (Reasonable)	Recommendation 8: Approvals / rejections for promotion and event applications should be documented within the minutes of the relevant Event Risk Management Group to ensure that there is a clear audit trail of decisions made.	M	Promotions and events may be approved / rejected without proper authorisation which may lead to reputational damage to the Council.	Approvals / rejections for promotion and event applications will be documented within the minutes of the relevant Event Risk Management Group.	Health and Wellbeing Project Manager	12-Jan-21	31 March 2022 (review)	2	Y	Process is reported as updated; however, provision of evidence outstanding at time of reporting.
I2003	Environmental Strategy Baseline (Follow up). (Reasonable)	Recommendation 1 - SMART Actions should be documented to conclude the baseline for all data sets, and then subject to regular review and update. Responsibilities for monitoring and managing collection and assessment of all data sets to be documented.	M	Lack of clarity in relation to requirements and allocated responsibilities leading to confusion, inefficient use of resources and exposure to unidentified risk/s.	1.1 Updated action plan A rolling SMART action plan will be updated and maintained for all data items. This action plan will be reviewed fortnightly as recommendations are being implemented. 1.2 Procedure Note The Procedure Note will be updated to capture all responsibilities for monitoring and managing collection and assessment of all data sets.	Policy and Communications Manager	01-Apr-21		1	Y	SMART actions now in place - closed.

I2003	Environmental Strategy Baseline (Follow-up). (Reasonable)	Recommendation 2 - Data definitions to be defined and documented for all data sets.	M	Lack of clarity in relation to the value and completeness of data leading to an inability to confirm data quality and the achievement of overarching requirements.	Data definitions will be concluded and documented for all data items in the carbon footprint calculations (currently in SharePoint). Where future data items are developed, these will also be concluded and documented in the carbon footprint calculations.	Policy and Communications Manager	March 2021/September 2021		1	Y	Data definitions defined and documented - closed.
I2003	Environmental Strategy Baseline (Follow-up). (Reasonable)	Recommendation 3 - SMART actions for the investigation and conclusion of all the remaining data quality findings to be documented. Future data quality checks to be assessed in line with the Carbon Emissions Calculations Procedure and the Data Quality Policy, with clear documentation of findings and conclusions.	M	Lack of clarity in relation to allocated responsibilities leading to inconsistent practice and lack of assurance in relation to data quality.	SMART actions will be added to the action plan in (recommendation 1) for all the remaining data quality findings identified by Management and Audit. Each action will then be investigated, with the conclusion documented in the action plan. Where relevant, conclusions will be linked to the Carbon Emissions Calculations Procedure on data quality assumptions and business rules. Completion of Power Bi Data Health Check scorecard, linked once again to the Carbon Emissions Calculations Procedure assumptions and business rules.	Policy and Communications Manager	01-Oct-21		1	Y	Actions documented - closed.
I2002	Driver Checks (Follow Up_ Reasonable)	Recommendation 1 – The approved Drivers Handbook should be printed and circulated to relevant Line Managers & Elected Members and added to the City Council E-library.	M	Officers driving on Council business without appropriate licence and / or insurance	The Handbook for Drivers will be available electronically for officers / managers and elected members with access to the intranet. Printed copies will be available for drivers without intranet access and a copy will be placed in each fleet vehicle, including pool cars. This is being further enhanced through the development of a Skillgate module to monitor awareness and improve compliance.	Fleet and Depot Manager	15-May-21	30 April 2022	1	Y	Driver handbook approved and available online and within fleet vehicle. Skillgate module nearing completion.
I2002	Driver Checks (Follow Up_ Reasonable)	Recommendation 2 – A process should be established to ensure the management briefing mailing list are is to date so all relevant officers receive relevant information.	M	Officers do not receive notifications on changes to travel policy and reminders and duties for Driver Check obligations	Post interview check-lists to be updated to identify new managers. SST to perform annual check of distribution list. HR forms to be updated.	HR Advisor / Service Support Supervisor	30-May-21		1	Y	Process to update mailing list now in place - closed.
I2002	Driver Checks (Follow Up_ Reasonable)	Recommendation 3 – It should be determined whether appropriate and consistent checks are carried out for Members on a voluntary basis. The handbook and associated procedures should be updated to reflect any agreed changes to the procedure.	M	Elected Members driving on Council business without appropriate licence and/ or insurance	Pursue option to request license information from Members as part of checks made by Payroll, or on a voluntary basis. Otherwise electronic handbook will be updated to remove references to Members and volunteers.	Neighbourhood Services Manager	30-Aug-21		1	Y	Driver Handbook was amended following advice from Legal Services to provide an option for staff / members to undertake their own driving licence checks rather than via the fleet office. Details for staff would be provided to their line manager or to Members' Services - closed.
I2002	Driver Checks (Follow Up_ Reasonable)	Recommendation 4 – A process should be in place to ensure all staff driving a pool car and hire car have an appropriate licence in place	H	Officers driving on Council business without appropriate licence and/or insurance	Access to the third-party licence checking bureau granted to SST so checks of pool vehicle users can be carried out. Drivers of hire vehicles have their licences checked routinely by Fleet. If drivers are not on the database, both parties will request confirmation from the driver's line manager that a licence check has been conducted satisfactorily	Fleet and Depot Manager in discussion with service support	01-May-21	31 March 2022	1	Y	Process for checking not established. Further discussion required.
G2006	Housing Benefits (Reasonable)	Recommendation 1 – Operational risk management arrangements to include regular consultation with wider stakeholders	M	Key stakeholders have not been consulted on operational risks.	Wider consultation to be applied to Risk Register quarterly reviews	Revenues and Benefits Operations Manager	31st October 2021	31 March 2022 (review)	1	Y	No response received to Internal Audit request for update.
G2006	Housing Benefits (Reasonable)	Recommendation 2 – Guidance documents to be regularly reviewed and updated with consideration given to DWP good practice.	M	Content of key documents not current or align to DWP good practice guidance.	Documentation to be reviewed in accordance with DWP circulars and relevant good practice guidance	Revenues and Benefits Operations Manager	31st December 2021	31 March 2022 (review)	1	Y	No response received to Internal Audit request for update.



# Carlisle City Council

## Report to Audit Committee

Item  
A.5(i)

### Report details

Meeting Date:	23 March 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Workforce Development
Report of:	Corporate Director Finance & Resources
Report Number:	RD82/21

### Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Workforce Development.

### Recommendations:

The Committee is requested to

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

### Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

## **1. Background**

- 1.1. An audit of Workforce Development was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 4 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**

- 4.1 The Committee is requested to  
i) receive the final audit report outlined in paragraph 1.1

## **5. Contribution to the Carlisle Plan Priorities**

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

### **Contact details:**

Contact Officer: Michael Roper

Ext: 7520

### **Appendices attached to report:**

- **Internal Audit Report – Workforce Development – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### **Corporate Implications:**

Legal - 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

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

# Audit of Workforce Development and Training

Draft Report Issued: 1<sup>st</sup> December 2021  
Director Draft Issued: 9<sup>th</sup> December 2021  
Final Report Issued: 9<sup>th</sup> December 2021



## Audit Report Distribution

<b>Client Lead:</b>	Workforce Development Manager
<b>Chief Officer:</b>	Deputy Chief Executive Chief Executive
<b>Others:</b>	Information Governance Manager
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 23 <sup>rd</sup> March 2022 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 Workforce Development and Training. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15<sup>th</sup> March 2021.
- 1.2 In 2017, SMT made a formal decision to develop a workforce development plan (WDP) for the organisation and a five-year plan was agreed in 2018 under the remit of the Transformation Board (TB). The WDP aims to ensure that the 'right people with the right skills and aptitudes are in the right place at the right time, demonstrating the right behaviours and values'. The plan includes a significant number of assigned actions, grouped into five broad categories:
- developing leadership capacity
  - supporting and maintaining workforce wellbeing
  - develop the skills and capacity of the workforce
  - resourcing the council
  - employee engagement.

## 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 Workforce Development 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:
- Failure to achieve business objectives due to insufficient governance
  - Failure to achieve business objectives due to inadequate embedding of risk management controls
  - Loss or breach of information/ fines and sanctions/ reputational damage due to failure to securely process, retain, share and dispose of records and information
  - The Workforce Development Plan does not align to organisational culture or provide for continuous learning, equality of opportunity and development of talent

- The Workforce Development action plan is not implemented effectively and fails to deliver positive outcomes

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 C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Workforce Development and Training 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 D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved see section 5.1	-	1
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts see section 5.2	-	1
3. <b>Information</b> - reliability and integrity of financial and operational information see section 5.3		2
4. <b>Value</b> – effectiveness and efficiency of operations and programmes see section 5.5	-	-
<b>Total Number of Recommendations</b>	-	<b>4</b>

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

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

A comprehensive five-year WDP under the remit of the TB is in place. The Organisational Development Team co-ordinate a significant number of positive actions helping to deliver continuous learning, development and improvement for Council employees.

The likelihood of successful outcomes will be further enhanced by documenting those positive actions using specific, measurable, assignable, realistic, time-bound (SMART) criteria.

Written direction in minutes will clarify how often the TB wishes to review the WDP. The outcome of a full, regular WDP review should be recorded in the minutes of the TB. Consistently capturing current performance of positive actions will allow informed decisions to be made by the TB on action plan progress.

Officer Learning and Development is a key component of the WDP and offered by the Council in a number of different forms including eLearning, coaching and on and off the job training. Employees without Council email addresses are invited to use their personal email address to access eLearning. Further development of the WDP will clarify the Council's position on notification and access of training, development and job notifications for all staff, including those with little or no access to ICT. To help ensure that WDP content remains relevant, regular interim review is advised.

An operational risk register is in place for Organisational Development which is regularly reviewed in line with the Risk Management Framework. Management may wish to further develop the mitigating actions, helping to ensure that a full regular WDP review is undertaken.

The records retention log may benefit from further review, update and alignment to disposal records and the Workforce Development Manager is currently liaising with the Information Governance Manager to discuss options for further improvement. Organisational Development staff have completed all relevant GDPR and Cyber-Security online training in a timely manner.

A current service plan is in place for Organisational Development with a key objective relating to the WDP. A suitable job structure is in place supported by job descriptions which have all been reviewed within the last 5 years. Team performance is reviewed and discussed during regular team meetings, one to one's and appraisals. The re-introduction of action point recording will further enhance officer accountability following the team meetings.

Management may wish to regularly consider if all documented guidance in place for the OD team remains sufficient and proportionate.

Organisational Development financial monitoring is regularly reviewed with no reported issues.

**Comment from the Deputy Chief Executive:**

***The 'reasonable assurance' rating attached to this work area and WDP reflect well on the efforts of the Organisation Development Team. The four recommendations made will add value to the Council's work in this area and appropriate updates on these actions will be made.***



## 5.0 Audit Findings & Recommendations

### 5.1 Management – Achievement of the organisation's strategic objectives

**5.1.1** A current service plan is in place and one of the four key objectives is, 'Delivery of the Workforce Strategy', with an outcome of, 'Improved planning for the development of employees to ensure adequate availability of human resources with the right skills in the right places at the right time'.

**5.1.2** The minutes of the TB in July 2018 and the report by the Workforce Development Manager to the Business and Scrutiny Transformation Panel in November 2018, detail that responsibility for regular review of the WDP is assigned to the TB. Written direction in minutes will further clarify how often the TB wishes to review the WDP. TB minutes since July 2018 reference workforce development updates provided to the board. For example, there have been several updates on development of the staff competencies framework. A WDP action plan update was included on the agenda to the TB in December 2019 (meeting was subsequently cancelled) and for the June 2021 meeting, although minutes do not record that a full review took place. It is acknowledged that the opportunity to review actions has been impacted by the reduced number of TB meetings following the pandemic outbreak.

**Recommendation 1 – Transformation Board minutes to clarify 'regular' reviews and record full, regular review of workforce development plan actions.**

**5.1.3** An operational risk register is in place for Organisational Development which is regularly reviewed in line with the Risk Management Framework. The register was also considered by the Risk Management sub-group on 4<sup>th</sup> September 2019. Three of the seven risks include a control/ mitigation 'Workforce Development Plan'. The existence of a WDP is good practice although annual review, verification and documentation (in minutes) of SMART action plan delivery will mitigate the risk that the WDP may not be delivered.

**5.1.4** Operational risk ID 318 entitled, 'Grow your own talent' requires update to include likelihood, likelihood description, risk score and target risk date.

**5.1.5** All operational risks are assigned to and managed by the Workforce Development Manager. Involvement of the wider team is advised when reviewing existing and emerging operational service risks.

**5.1.6** Organisational Development financial monitoring is regularly reviewed with no reported issues.

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

**5.2.1** All Organisational Development staff have completed all relevant GDPR and Cyber-Security online training in a timely manner.

**5.2.2** The Corporate Records Management Policy requires that a retention schedule and disposal log should be maintained for each service area, in line with GDPR. A retention log is in place, although it may benefit from regular review and update. Organisational Development staff maintain individual disposal logs which were found to be recently updated. Further alignment of the disposal logs to the retention schedule is advised, helping to verify that relevant records are consistently removed when their retention period has expired. The Workforce Development Manager is currently liaising with the Information Governance Manager to discuss options for further improvement.

**Recommendation 2 – Regularly review, update and align service retention and disposal records.**

**5.2.3** Organisational Development has contracts in place with learning partners which involves some sharing of personal staff information. Liaison with the Information Governance Manager is advised to fully determine if contract arrangements specify the necessary terms to meet GDPR requirements.

**5.2.4** Both formal appraisals and inclusion of mandatory e-learning modules for all officers are key controls in place to support delivery of the WDP. Application of these controls has been audited separately in a review of Corporate Internal Controls (A2103). Both were found to be suitably embedded, although 3 recommendations were made for improvement. These controls will be reviewed annually as part of a regular corporate review.

## 5.3 Information – reliability and integrity of financial and operational information

**5.3.1** The WDP aspires to deliver a significant number of actions, although It is not always possible to determine if a positive desired outcome is being achieved for all actions. For example, there is an action for, 'Leaders (to) maintain the culture for a learning and supporting Council' with a review comment in June 2021 detailing that the action is 'ongoing'. Without further information, it is not straightforward to determine what a culture for a learning and supporting Council looks like, and how maintenance of that culture will be reviewed and assessed. The likelihood of successful outcomes will be enhanced by documenting all actions using specific, measurable, assignable, realistic, time-bound (SMART) criteria. Management may wish to further develop actions to include:

- Further detail on what constitutes a measurable, desired positive outcome for the action, enabling the TB to make an informed decision on progress towards that measurable, desired positive outcome.
- Detailing the specific planned date or period that the desired positive outcome should be realised, avoiding use of the term 'ongoing' for clarity.
- Enhancing accountability for delivery through assignment of actions to individuals, rather than departments or governance groups.

**Recommendation 3 – All Workforce Development Plan actions to be documented with SMART criteria.**

**5.3.2** When action plan progress is reported to the TB, narrative is provided on current performance for most actions, although not all. It is recommended that for all actions, the 'review' column consistently captures current measured performance against desired positive outcomes (see rec 4). It is advised that use of the term, 'ongoing' to describe current performance is avoided for clarity. To further assist TB review, management may wish to consider assigning red, amber, green (RAG) ratings to individual actions, providing a snapshot of overall performance and focusing attention where needed most.

**Recommendation 4 – Progress reports to consistently capture performance against desired positive outcomes, for all actions.**

**5.3.3** The WDP covers a significant time period (2018 -2023) and historic reference to past reports and training records may no longer be relevant. To help ensure that the content remains relevant, regular interim review is advised.

**5.3.4** Management indicated that there is documented staff guidance in place for operating systems, although there may be other areas that require assessment. It is advised that management regularly consider if there is sufficient, proportionate, documented guidance in place for the OD team to follow.

**5.4 Value – effectiveness and efficiency of operations and programmes**

**5.4.1** A suitable job structure is in place supported by job descriptions which have all been reviewed within the last 5 years. Three of roles were last reviewed in 2017 and may require review in 2022, helping to ensure the content remains current.

**5.4.2** One to one meetings are regularly held between management and staff. A standard agenda is used for the weekly team meeting, although action points are no longer recorded.

Management may wish to consider reintroducing the recording of time-bound action points which are reviewed and concluded at subsequent meetings.

- 5.4.3** A regular team appraisal is held and the last one took place on 22<sup>nd</sup> October 2020. Following recent changes to the corporate appraisal process moving forward, all team members will have individual annual appraisals held between October and the end of January.
- 5.4.4** Officer Learning and Development is a key component to the WDP and offered by The Council in a number of different forms including eLearning, coaching and on and off the job training. The WDP also provides for development of talent including the aspiring leadership programme, everyday leaders programme and identification of appropriate career paths and grade structures. With reference to recommendation 4, further development of WDP actions with SMART criteria will help to quantify the success of all programmes offered.
- 5.4.5** Employees without Council email addresses are invited to use their personal email address to access eLearning. As the WDP is further developed it is advised that the WDP considers the Council's position on notification and access of training, development and job notifications for all staff, including those with little or no access to ICT at work.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Transformation Board minutes to clarify ‘regular’ reviews and record full, regular review of workforce development plan actions.	M	Full review of WDP actions is not carried out on a regular basis.	<p>The TB is back up and running on a regular basis and the minutes will record:</p> <ul style="list-style-type: none"> <li>How often the Workforce Development plan will be reviewed</li> <li>That a full review of the Workforce Development action plan has taken place</li> </ul>	Chief Executive	January 2022
			The WFD plan has supported delivery of several the actions included within and a full review will take place in January with the intention of making appropriate changes to capture recommendations and support LGR.	Workforce Development Manager	January 2022
Recommendation 2 – Regularly review, update and align service retention and disposal records.	M	Non-compliance with UK GDPR leading to loss of reputation and possible sanctions.	Workforce Development Management is currently liaising with Information Governance Manager to consider further improvements ensuring GDPR requirements are met.	Workforce Development Manager	February 2022

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 – All Workforce Development Plan actions to be documented with SMART criteria.	M	Lack of clarity on what planned positive outcomes for actions look like.	Plan currently identifies what, who and when, SMART actions to be considered during complete a review in January.	Workforce Development Manager	January -March 2022
Recommendation 4 – Progress reports to consistently capture performance against desired positive outcomes, for all actions.	M	Lack of clarity on whether planned positive outcomes are being achieved.	Positive outcomes are captured and shared with Transformation and SMT on an adhoc basis this will be formalised for all actions. The pulse surveys and employee opinion survey provide some good evidence relating to the WFD plan, this will be considered as a tool to enhance feedback.	Workforce Development Manager	January 2022

## Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.3	Update the control/ mitigation currently stated as 'Workforce Development Plan' to 'annual review, verification and documentation in TB minutes of SMART action plan delivery'.
5.1.4	Operational risk ID 318 entitled, 'Grow your own talent' requires update to include likelihood, likelihood description, risk score and target risk date.
5.1.5	Involvement of the wider team is advised when reviewing existing and emerging operational service risks.
5.2.3	Determine if contract arrangements with learning partners are required to specify terms, ensuring both parties understand their responsibilities with regard to GDPR.
5.3.1/ 5.3.2	Replace the term 'ongoing' to in the WDP action plan to be more specific.
5.3.2	Consider assigning red, amber, green (RAG) ratings to individual actions, providing a snapshot of overall performance and focus attention where it is needed most.
5.3.3	WDP narrative to be regularly reviewed, helping to ensure it remains current.
5.3.4	Regularly consider if there is sufficient, proportionate, documented guidance in place for OD officers to follow.
5.4.1	Some team job descriptions were last reviewed in 2017 and may require review in 2022 to help ensure they remain accurate.
5.4.2	Reintroduce the recording of time-bound action points which are reviewed and concluded at subsequent meetings.
5.4.5	WDP to consider the Council's position on notification and access of training, development and job notifications for all staff, including those with little or no access to ICT at work.

## Appendix C - Audit Assurance Opinions

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

	Definition:	Rating Reason
<b>Substantial</b>	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>
<b>Reasonable</b>	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>
<b>Partial</b>	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>
<b>Limited/None</b>	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 D

### 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:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	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).



# Carlisle City Council

## Report to Audit Committee

Item  
A.5(ii)

### Report details

Meeting Date:	23 March 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Financial Services Governance Arrangements
Report of:	Corporate Director Finance & Resources
Report Number:	RD.83/21

### Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Financial Services Governance arrangements.

### Recommendations:

The Committee is requested to

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

### Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

## **1. Background**

1.1. An audit of Financial Services Governance arrangements was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 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**

4.1 The Committee is requested to  
i) receive the final audit report outlined in paragraph 1.1

## **5. Contribution to the Carlisle Plan Priorities**

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

### **Contact details:**

Contact Officer: Michael Roper

Ext: 7520

### **Appendices attached to report:**

- **Internal Audit Report – Financial Services Governance Arrangements – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### **Corporate Implications:**

Legal - 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

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

# Audit of Financial Services Governance Arrangements

Draft Report Issued: 07 January 2022  
Director Draft Issued: 19 January 2022  
Final Report Issued: 08 March 2022



## Audit Report Distribution

<b>Client Lead:</b>	Head of Financial Services Accountancy Services Manager
<b>Chief Officer:</b>	Corporate Director Finance & Resources Chief Executive
<b>Others:</b>	N/A
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 23 March 2022 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 governance arrangements for Financial Services. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15<sup>th</sup> March 2021.
- 1.2 The Internal Audit plan includes a three-yearly cycle of Main Financial Systems audit reviews, the majority of which are managed by the Council's Financial Services team.
- 1.3 Audit testing in relation to governance systems and records management are usually delivered routinely as part of all audit reviews. While certain testing relates to the specific area under review other elements focus on wider management arrangements and it is more efficient to test these once as part of a separate audit review.

## 2.0 Audit Approach

### Audit Objectives and Methodology

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

### Audit Scope and Limitations.

- 2.3 The Client Leads for this review were the Head of Financial Services and the Accountancy Services 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:
  - Risk 1 – Failure to achieve business objectives due to insufficient governance.
  - Risk 2 – Loss or breach of information / fines and sanctions / reputational damage due to failure to securely process, retain, share and dispose of records and information
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

## 3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within the governance arrangements for financial services 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 D**. Audit recommendations arising from this audit review are summarised below:

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

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

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

Financial Services has an established and embedded governance framework in place to oversee achievement of the service's objectives. The team achieves its objectives on a regular basis, including filing of unqualified accounts and maintaining strong financial management. However, during the audit there was an over-arching theme of pressures on the team due to ever-increasing demands, which has contributed to minor delays in following some established controls. An extended sickness absence or post vacation could significantly impact the team, particularly given current risks relating to difficulties recruiting to skilled posts such as accountants.



The team have an opportunity to attempt to address some of these pressures through utilising additional funding and this should be treated as a priority.

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

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

A risk register is established, maintained in line with the Council's Risk Management Framework and there is evidence the register is reviewed and updated on an ongoing basis. Improvements could be made to the risk identification process and mitigating controls need to more accurately reflect actual controls in place.

The service has embedded relevant controls to maintain the security and confidentiality of the records it maintains in line with relevant legislation. However, there is a need to ensure officers are aware of further measures required to ensure security of sensitive personal information.

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

**Comment from the Corporate Director Finance & Resources**

A useful audit review which highlights areas for improvement within Financial Services, all of which have been accepted by Management and will be implemented within the agreed timescales.

There are some wider corporate concerns contained within this report in terms of the Operational Risk Management Group which are outwith the scope of this audit.

## 5.0 Audit Findings & Recommendations

### 5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A formal structure is in place for the team, which supports the needs of the service. There are two part-time vacant admin posts (0.66TE) in the structure that remain from the previous audit. There was and still is no intention to recruit to these posts. Previously there were plans to use apprenticeship funding alongside the slight savings from the vacant posts to create an apprentice post to support succession planning within the service, though further planning would be required to address ongoing costs in the future
- 5.1.2** The emergence of LGR (Local Government Reorganisation) and the additional support required for major projects being taken on by the Council has resulted in the need for the service to assess where to direct its resources.
- 5.1.3** There are plans to fund and to create extra resource within the team. However, progress on these plans has been limited due to the additional pressures on the team during the ongoing pandemic. There is a need to ensure these plans are now progressed to ensure relief on future pressures is maximised.

**Recommendation 1 – Financial Services should prioritise progress of plans to utilise available funding and salary savings to support the increasing pressures on the service.**

- 5.1.4** Appropriate measures have been put in place to ensure suitable succession following vacation of the Council's Insurance Officer role in December 2021, including appropriate consideration of options by Senior Management, an established handover period and arrangements to access experienced knowledge on an ad-hoc basis in the future if required.
- 5.1.5** Job descriptions were generally up to date and included relevant roles and responsibilities. However, it was noted that some job descriptions included out of date practices and systems. It is advised that a cursory review of all job descriptions takes place to ensure they are up to date. This will be required for LGR.
- 5.1.6** Procedures and policies are in place to support delivery of roles and responsibilities. Management are satisfied procedures are appropriate, which is supported by the positive output of the team, including preparation of unqualified annual accounts and good financial performance. The service acknowledges pressures on the final account process due to the limited number of qualified accountants<sup>1</sup> in post, but it is accepted this is inevitable in a small local authority and the team continue to meet relevant deadlines.

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<sup>1</sup> Though it is noted all Finance Officers have either attained or are studying for the AAT qualification

- 5.1.7** The Council's S151 officer is the Corporate Director of Finance & Resources, who is responsible for the delivery of Financial Services objectives. There is clear evidence they are kept informed of all progress and are involved in the management and decision-making process.
- 5.1.8** A clear and detailed reporting framework is in place to ensure the Senior Management Team and the Executive receive regular reports of the team's objectives, particularly relating to the Council's financial performance and preparation of annual accounts.
- 5.1.9** Regular team meetings are established within the service to ensure staff are kept well informed and these have continued during the Covid-19 pandemic using Microsoft Teams. This is supported by regular correspondence from management as and when issues or actions arise. Representatives of Financial Services attend the Directorate's monthly management meetings.
- 5.1.10** Representatives of Financial Services also attend other Directorate management team meetings to maintain awareness of financial issues across the full range of Council services.
- 5.1.11** Team meetings are not minuted; however, management follow up meetings with e-mails to all relevant officers listing any specific responsibilities and actions that need to be addressed.
- 5.1.12** The Council has recently updated its appraisal process and requires appraisals to be completed by the end of January 2022. At the time of the audit several appraisals were outstanding due to the ongoing pressures, but the service is expected to complete all appraisals within the stated deadline. Completion of appraisals is monitored by Organisational Development and is subject to a separate annual corporate audit review.
- 5.1.13** A service plan is in place, setting out delivery of the key objectives for the service and recognising the pressures mentioned above. The service's core objectives are generally static (preparation of the accounts and financial monitoring). The plan also includes reference to the e-purchasing project, which needs to be considered in light of LGR. It is advised that a formal decision is made by Senior Management as to whether the project should be discontinued completely.
- 5.1.14** A risk register is in place for the service, which has been prepared and reviewed timely in line with the Council's risk management framework. There has not been significant change or update to the register, though this is considered to relate to the generally static nature of financial services.

**5.1.15** There is currently no formal risk assessment documentation using techniques outlined in the Risk Management framework. Additionally, there is only limited evidence of other members of the team and other areas of expertise within the Council being involved in any risk identification process (as recommended in the ZM review – see below).

**Recommendation 2 – A more formalised risk identification process should be put in place, supported by use of appropriate analysis techniques and involving other Council officers on a regular basis.**

**5.1.16** Mitigating actions are assigned against risks, which have been updated to reflect changes to the risk environment (Covid-19 / LGR). While actions appear broadly appropriate, the following improvements were identified:

- Some mitigating actions are just further description of risk exposure, rather than specifying how the Council intends to manage the risk (e.g. “LGR could reduce the available capacity to perform and assess projects adequately unless additional resources are sought”)
- Some mitigating actions are not updated to reflect specific issues such as recent issues with asset valuation in the accounts and an anticipated vacation of a key post.
- Some actions would benefit from enhanced descriptions that show the action is working (e.g. “Training continues to be provided to all staff dealing with capital on an ad-hoc basis” should specify when training was last delivered and whether attendance was appropriate).
- Some actions listed are not in place and could provide the wrong impression over the extent of mitigating controls in place (e.g. reference to the migration of data to cloud-servers, which has not progressed due to resource issues within ICT services).

**5.1.17** Discussions with the responsible officer indicated a good understanding of risks faced by the service and highlighted controls being in place to manage the risks, so the issues raised are thought to be more of an administrative issue with the register not fully reflecting actual practice.

**Recommendation 3 - Mitigating actions need reviewed to ensure they are concise, complete and represent actual risk management processes in place.**

**5.1.18** An internal Operational Risk Management Group (ORMG) is in place, comprising a number of officers experienced in risk and risk management. The group’s role includes reviewing and challenging risk registers. The group also facilitated a high level external review of the Council’s risk management processes, which resulted in a number of

actions identified to improve risk management processes

- 5.1.19** The Financial Services risk register was presented to the Council's Operational Risk Management group in October 2020, where suggested improvements were made and have now been updated.
- 5.1.20** The group has not had a meeting since July 2021 and has not reviewed any registers since October 2020, when the last register (Financial Services) was reviewed. This completed the full review, commenced in August 2017, of all 19 operational risk registers in place within the Council. While outside the control of Accountancy Services, the cessation of meetings has reduced the Council's ability to drive forward further continual improvements to Risk Management processes. This has been raised separately by Internal Audit with Senior Management.
- 5.1.21** The services main output relates to the financial monitoring of Council services and preparation of the annual accounts, which, as stated above are reported regularly and comprehensively to both Senior Management and the Board.
- 5.1.22** The service also has two performance indicators within the Council's Performance Management framework. Both indicators were found to be reported on a timely basis and on target. A third indicator relating to debt recovery was removed due to the Council's temporary removal of standard debt recovery processes because of the pandemic. It is advised this indicator is re-instated from 2022/23.
- 5.1.23** The service is subject to appropriate financial monitoring, with regular minuted meetings with Senior Management. No concerns have been identified in relation to financial performance of the service.

## **5.2 Information – reliability and integrity of financial and operational information**

- 5.2.1** There is a comprehensive privacy statement in place for the service specifying the information it receives, creates and processes, including details of who data may be shared with. The statement has been reviewed by the Council's Information Governance Manager.
- 5.2.2** A separate corporate review of mandatory training within the Council's e-learning module has been undertaken. Several officers within Financial Services are yet to undertake the courses. Managers have issued several reminders. The new appraisal form includes opportunity to review completion of mandatory training. It is advised that further reminders are issued as part of this process.

**5.2.3** Both paper and electronic records are held securely, protected by fob access and password/network controls respectively. Lockable filing cabinets are available to further protect sensitive information. It is noted that further security precautions, such as operating a clear desk policy and locking unattended workstations and filing cabinets would improve security of information. A recent security incident within the Civic Centre highlighted the additional risk exposure the Council faces of a data breach if sensitive information is easily accessible by intruders.

**5.2.4** Additionally, given the extended working from home arrangements, officers would benefit from further guidance on how to keep information secure at home (including ensuring confidentiality is maintained in virtual meetings). An outstanding recommendation is in place to ensure this is provided for all officers.

**Recommendation 4 – Staff should be reminded of good practice in relation to protecting sensitive information.**

**5.2.5** A retention and disposal schedule is maintained by the service, specifying appropriate retention periods for records maintained. The service had undertaken a significant exercise to review and destroy paper records, which have been appropriately recorded on the disposal schedule. However, recent progress has been limited as officers are working from home during the pandemic.

**5.2.6** Management have also recognised the requirement to review the extent of electronic records held by the service, however this exercise was put on hold pending instructions from IT on how this was to be dealt with corporately and a proposed migration of electronic data to cloud servers. In the interim significant work has been undertaken to identify and remove outdated information from the Council's ledgers.

**5.2.7** It was previously recommended a more formalised plan of action would add value to the management of this risk and while some progress has been made reviewing and destroying records, no formal plan is yet in place.

**Recommendation 5 – Management should prepare an action plan assigning responsibility and timescales for a review of paper and electronic records held by the service.**

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Financial Services should prioritise progress of plans to utilise available funding and salary savings to support the increasing pressures on the service.	M	Additional workload pressures impact service delivery through limited capacity.	Funding is available through the PMO for increasing resources in finance. Plans will be made as to how best to utilise this funding.	Head of Financial Services	30/06/22
Recommendation 2 – A more formalised risk identification process should be put in place, supported by use of appropriate analysis techniques and involving other Council officers on a regular basis.	M	New risks are not formally identified and mitigated.	The process for risk identification will be examined to ensure all risks are appropriately considered	Head of Financial Services	30/06/22
Recommendation 3 - Mitigating actions need reviewed to ensure they are concise, complete and represent actual risk management processes in place	M	Risk register provides false assurances in relation to controls in place to mitigate risk.	The Risk Register is reviewed quarterly and the next review will ensure mitigating actions are appropriately recorded	Head of Financial Services	30/06/22

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 4 – Staff should be reminded of good practice in relation to protecting sensitive information.	M	Fines and reputational damage incurred as a result of a data breach	A reminder has been issued to all staff on 14/01/22	Head of Financial Services	14/01/22
Recommendation 5 – Management should prepare an action plan assigning responsibility and timescales for a review of paper and electronic records held by the service.	M	Fines and reputational damage incurred as a result of a data breach	Consideration will be given to the appropriate methods of ensuring all records are reviewed	Head of Financial Services	30/12/22



**Appendix B – Advisory Comments**

Ref	Advisory Comment
5.1.5	It is advised that a cursory review of all job descriptions takes place to ensure they are up to date.
5.1.13	It is advised that a formal decision is made by Senior Management as to whether the e-purchasing project should be discontinued completely
5.1.22	It is advised the performance indicator relating to debt recovery is re-instated from 2022/23
5.2.2	It is advised that further reminders are issued in relation to outstanding e-learning within the service as part of the current appraisal process.

## Appendix C - Audit Assurance Opinions

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

	Definition:	Rating Reason
<b>Substantial</b>	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>
<b>Reasonable</b>	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>
<b>Partial</b>	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>
<b>Limited/None</b>	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 D

### 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:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	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).



# Carlisle City Council

## Report to Audit Committee

Item  
A.5(iii)

### Report details

Meeting Date:	23 March 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Covid-19 Grant Payments
Report of:	Corporate Director Finance & Resources
Report Number:	RD.84/21

### Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Covid-19 Grant Payments.

### Recommendations:

The Committee is requested to

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

### Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

## **1. Background**

- 1.1. An audit of Covid-19 Grant Payments was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides partial assurances and includes 2 high-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**

- 4.1 The Committee is requested to
- i) receive the final audit report outlined in paragraph 1.1

## **5. Contribution to the Carlisle Plan Priorities**

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

### **Contact details:**

Contact Officer: Michael Roper

Ext: 7250

### **Appendices attached to report:**

- **Internal Audit Report – Covid-19 Grant Payments – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### **Corporate Implications:**

Legal - 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

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

# Audit of Covid-19 Grant Payments

Draft Report Issued: 11<sup>th</sup> January 2022  
Director Draft Issued: 9<sup>th</sup> March 2022  
Final Report Issued: 9<sup>th</sup> March 2022



## Audit Report Distribution

<b>Client Lead:</b>	Head of Revenues and Benefits Services Revenues Team Leader
<b>Chief Officer:</b>	Corporate Director Finance and Resources Chief Executive
<b>Others:</b>	Head of Administration and Performance Management
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 23 <sup>rd</sup> March will receive a copy of this report.

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



## **1.0 Background**

- 1.1. This report summarises the findings from the audit of Covid 19 Grant Payments. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15<sup>th</sup> March 2021.
- 1.2. Since April 2020, the Department for Business, Energy and Industrial Strategy has financially supported local businesses adversely affected by trading conditions due to the COVID pandemic.
- 1.3. These payments have been administered at Carlisle City Council by the Revenues service for mandatory grants and Economic Development for discretionary. By September 2021, the Council had administered and paid nearly £56M of grants to local businesses.
- 1.4. Government guidance directs Local Authorities on the application and eligibility criteria for COVID grants. Local policies have been documented by Economic Development, clarifying administration requirements for discretionary payments.

## **2.0 Audit Approach**

### Audit Objectives and Methodology

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

### Audit Scope and Limitations.

- 2.3 The Client Leads for this review are Head of Revenues and Benefits Services and Revenues Team Leader, 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:

- Qualifying criteria for covid-19 grants has not been checked, documented and retained before payment, resulting in fraud/ erroneous payments.

- 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 C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Covid-19 Grant Payments provide **partial 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 D**. Audit recommendations arising from this audit review are summarised below:

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

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

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

Revenues and Benefits and Economic Development were asked to administer Covid grants for Carlisle City Council, in addition to their normal duties. These services were also hindered by information technology issues, whilst adjusting to working from home at short notice. In spite of these difficulties, payments were still made at the earliest opportunity to local businesses impacted by the pandemic. It is recommended that the findings of this audit are considered in this context.

There are two high level recommendations. Although pre-payment checks on claimants have been stated as undertaken, they have not all been fully documented, evidenced and retained in a systematic manner, significantly increasing the difficulty in verifying robustness of those checks. The documented fraud risk assessment requires further enhancement to identify and investigate high risk payments.

Due to the number and size of the payments made, and the difficult circumstances in which they were administered, there is a significant risk of ineligibility, fraud or error. Other Councils are known to have inadvertently made Covid grant payments to fraudulent applicants. For example, businesses not trading or supplying false bank details. The National Audit Office qualified the 2020/21 accounts of the Department for Business, Energy and Industrial Strategy due to a 'material level' of fraud estimated in Covid grant schemes.

An opportunity now exists to further enhance the work already undertaken, using the post-payment assurance process and fraud risk assessment requirements to review, identify and investigate payments that may have inadvertently been made due to ineligibility, fraud or error.

**Comment from Corporate Director Finance and Resources:**

I can only praise both the Revenues & Benefits and the Economic Development teams who had the unenviable task of providing financial grant support to the many business in the Carlisle area affected by COVID. As the audit report states, over £56million of grants were paid between April 2020 and September 2021 at a time when the Council itself was also affected by the pandemic in terms of homeworking, ICT equipment and staff shortages due to covid/self-isolation etc.

Immense pressure from both a local and national level was being placed upon the teams to administer the grants quickly; this, when viewed against almost daily amendments to government guidance and several new relief schemes being introduced during the period, did not help to shift the pressure being placed upon the teams.

During the period, fraudulent claimants were identified with no payments being released.

Whilst the hard evidence has not been fully documented and therefore not available to audit, I am informed that is contained within the system. I am assured that all grants awarded have been in line with the published government guidance. Where payments have been made in error these have been identified and steps taken to recover the debt.

Post assurance checks are now underway as part of the reconciliation process with BEIS with sample checks being undertaken; no issues have been found to date.

However, the audit review is a helpful reminder to all officers that a full audit trail of evidence-based decisions is crucial to ensure that proper governance exists in terms of internal controls and transparency so that any decisions can be justified when subject to scrutiny or challenge.

I wish to reiterate the fantastic work that was done by the teams during an unprecedented pandemic and under extreme pressure to get grants out to those who needed them. The systems operated were as robust as they could have been in the circumstances and taking those circumstances and the pressure outlined into account, the grading of this report as a partial assurance is somewhat disappointing and unfair on the teams administering the grants.

It should also be borne in mind that our teams received a great deal of criticism at the time for being 'slower out of the gates' in getting grants out than some other councils but that was because we insisted on ensuring that our systems were fit for purpose. That purposeful preparation paid dividends and we were soon one of the better performing councils.

Whilst the report states that the audit findings should be considered in the context of the pressures faced by the teams, I do not think that grading of the recommendations and assurance rating reflects this. It appears that the report has been written from the perspective of the ordinary course of events being the norm; however, it was not the norm and allowance must be made for the pandemic, homeworking and the pressure involved.

## 5.0 Audit Findings & Recommendations

### 5.1 Management – Achievement of the organisation's strategic objectives

**5.1.1** Government grant guidance for each scheme details eligibility criteria that must be satisfied and discretionary measures to be used to verify eligibility criteria. Pre-payment checks have been undertaken although they have not been fully documented and retained in a systematic manner, significantly increasing difficulty in verifying the robustness of those checks. The starting point for grants administered by the Revenues Section is based on the information held within the Business Rates database and qualifying accounts were updated to hold a Circumstance Code for grant payments to be processed. Supporting evidence for the respective business, obtained to establish rate liability is held in the Document Management System, although there was increased difficulty in demonstrating the systematic checking, documentation and retention of wider eligibility criteria for each tranche of grant. Control spreadsheets have been documented to confirm discretionary grant eligibility criteria, although they still require further work to establish their robustness. Guidance advises that there should be an eligibility check and a recipient check on all payments, whether pre or post payment. An opportunity now exists to review guidance for each scheme and consider if evidence and eligibility criteria can be demonstrated as part of the post-payment assurance requirement.

**Recommendation 1 – Use the post-payment assurance process to demonstrate that eligibility criteria has been met; and that error and fraud has been minimised**

**5.1.2** Government Covid Grant guidance details that the Government Grants Management function and Counter Fraud Function will support Local Authorities to carry out post-event assurance work in identifying high risk payments and estimate the likely incidence of fraud and error that may have occurred. This requires statistically significant sample testing of key residual risks to assess the level of fraud/ error that has arisen from the residual aspect of identified fraud risks. Post-event assurance is therefore dependent upon a detailed fraud risk assessment being undertaken for the scheme.

The documented post-event and fraud risk assessment requires further development to identify high risk payments and measure the likely incidence of fraud and error that may have occurred.

For example, consideration should be given to where:

- eligibility criteria for each scheme (such as, but not limited to business liquidation or trading indicators) may not have been checked, documented and retained
- application forms are not signed by all those jointly liable for NNDR
- payment has been made to single applicant where there is joint business ownership
- payment has been made to personal bank account
- bank details supplied are not evidenced by a statement

- bank details supplied do not match those held by the authority
- bank statements supplied indicate a business is not trading at the date of application
- there may be duplicated payments
- Ineligible payments may have been made to the same business under more than one scheme
- Payments made without an application form
- there may be business impersonation
- NNDR information held in Academy is not current.

This list is not meant to be exhaustive, and fraud risks for each scheme should be individually assessed on their own merit.

**Recommendation 2 – Review the likely incidence of fraud and error that may have occurred for all schemes and investigate findings as part of the post-payment assurance assessment.**

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

**5.2.1** The National Fraud Initiative (NFI) work programme was published in July 2020 and included mandated additional data as part of the counter fraud response to the government Covid-19 relief programme.

It was noted in the previous audit of Covid grants in 2020, data should have been prepared as part of the 2021 NFI data-matching exercise but was not due to workload pressures. The latest submission of grant recipient data to NFI was provided in February 2022.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Use the post-payment assurance process to demonstrate that eligibility criteria has been met; and that error and fraud has been minimised.	H	Payments made to ineligible or fraudulent claimants, or in error.	Eligibility and evidence for a sample of payments aligned to the review of likely incidence of fraud and error to be reviewed, with results documented. Independence and size of sample reviewed to be agreed with Corporate Director for Finance and Resources	Head of Revenues & Benefits Services	30 <sup>th</sup> Sept 2022
				Revenues Team Leader Head of Administration and Performance Management	30 <sup>th</sup> Sept 2022
Recommendation 2 – Review the likely incidence of fraud and error that may have occurred for all schemes and investigate findings as part of the post-payment assurance assessment.	H	Payments made to fraudulent claimants or made in error.	Review of likely incidence of fraud and error for all schemes to be conducted	Revenues Team Leader Head of Administration and Performance Management	30 <sup>th</sup> Sept 2022 30 <sup>th</sup> Sept 2022

## Appendix C - Audit Assurance Opinions

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

	Definition:	Rating Reason
<b>Substantial</b>	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>
<b>Reasonable</b>	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>
<b>Partial</b>	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>
<b>Limited/None</b>	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 D

### 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:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	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).



Meeting Date: 23 March 2022  
Portfolio: Finance, Governance and Resources  
Key Decision: Not applicable  
Within Policy and Budget Framework YES  
Public / Private Public

Title: INTERNAL AUDIT PLAN 2022/23

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES  
Report Number: RD.79/21

## Purpose / Summary:

Internal Audit is required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk-based audit plan and charter for approval by the Audit Committee. This report provides the proposed audit plan and charter for 2021/22.

## Recommendations:

Members are requested to:

Approve the 2022/23 Internal Audit Plan which is attached at Appendices A – C with a minimum deliverable Audit Days of 404 days (Appendix A - option 1).

Approve the Internal Audit Charter for 2022/23 attached at Appendix D

## Tracking

Audit Committee:	<b>23 March 2022</b>
Scrutiny Panel:	<b>Not applicable</b>
Council:	<b>Not applicable</b>

## **1. BACKGROUND INFORMATION**

- 1.1 The Chartered Institute of Internal Audit defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations”. Internal Audit helps the Council to achieve its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- 1.2 The Accounts and Audit Regulations 2015 require the Council to undertake “an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.3 The PSIAS affirm the need for annual risk-based audit plans to be developed in order that the Head of Internal Audit can form an annual opinion on the Council’s systems of risk management, governance and internal control.
- 1.4 This Internal Audit Plan has been prepared in line with a risk-based planning methodology and consultation with the Council’s Senior Management Team to identify the areas where it is considered that Internal Audit can add the greatest value through provision of independent assurance. Preparations were undertaken between January and February 2022 and a draft plan (approved by SMT on 23 February 2022) was prepared.
- 1.5 The Plan is attached at **Appendices A to C**

## **2. INTERNAL AUDIT SERVICE DELIVERY**

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

## **3 ROLES OF MANAGEMENT & INTERNAL AUDIT**

- 3.1 It is the role of management to establish effective systems of governance, risk management and internal controls in order to:
  - safeguard the Council’s resources and prevent fraud;
  - ensure the completeness and reliability of records;
  - monitor adherence to laws, regulations, policies and procedures;

- promote operational efficiency demonstrate the achievement of value for money;
- manage risk.

- 3.2 It is the role of Internal Audit to provide independent assurance to senior management and the Audit Committee that the Council has implemented adequate and effective procedures in relation to these responsibilities.
- 3.3 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 INTERNAL AUDIT RESOURCES**

- 4.1 Due to the imminent vacation of the Audit Services Manager post, there is a degree of uncertainty around available audit resource until the team structure for 2022/23 is agreed. The preferred arrangement being pursued is a proposed shared management arrangement with Allerdale and Copeland. A resource of 404 days has been calculated using this option (**Appendix A** – option 1).
- 4.2 However the Council has an option to increase audit resource up to 505 days through either employing a new Audit Services Manager (**Appendix A**-option 2) or utilising salary savings realised from the shared management arrangement on additional Auditor resource.
- 4.3 The number of days planned for each category is detailed at Appendix B.
- 4.4 The level of coverage is considered sufficient to provide an opinion on the systems of governance, risk and internal control in line with the PSIAS and in order to support the preparation of the Annual Governance Statement. However, the additional resource identified above would widen the scope of the audit opinion. Given the rapidly changing risk environment and additional anticipated pressures due to local government re-organisation and other economic factors it would be prudent to retain the option to utilise additional resource. It should be noted the recruitment market for internal audit resources is limited (even in the temporary resource market) so Members should be aware it may not be possible to recruit additional resource. If this was the case, the minimum number of Audit Days to be delivered would be as Appendix A – Option 1 (404 days).
- 4.5 The PSIAS also reflect the requirement for internal audit plans to be flexible to respond to new and emerging risks to the organisation. Some capacity is therefore built into the plan to allow Internal Audit to respond to such issues. Should contingencies be exhausted during the year, the approved plan may need to be revised.

- 4.5 In this event, revisions would be considered and agreed by the Senior Management Team and reported to the Audit Committee, including the use of 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 risks.
- 5.2 **Directorate Risk-Based Audit Reviews** – these reviews have been identified in consultation with senior management and following reviews of the Annual Governance Statement and Risk Registers. These reviews are spread across service areas following a risk assessment to ensure that Internal Audit resources are targeted at the areas where the greatest benefit will be achieved.
- 5.3 **Financial System Reviews** – a three-year programme is in place which ensures that each main financial system is reviewed in depth at least once every three years. Management also has a responsibility to ensure that all financial systems continue to operate effectively each year and has asked Internal Audit to confirm with relevant managers that basic controls continue to operate. This will involve completing internal control questionnaires with relevant managers and providing these to the S151 officer for information.
- 5.4 **Governance System Reviews** – a provision is included for an annual update and review of the Council's compliance with the local code of corporate governance.
- 5.5 **Follow Up Audits** – a provision for follow up work is included in the Plan to ensure that all audit recommendations are followed up in line with the agreed follow up approach outlined in section 6.
- 5.6 **Counter Fraud** – the Plan includes a provision for counter fraud work, including reactive work should irregularities occur requiring Internal Audit to advise management on their investigations.
- 5.7 **Advice and guidance** – capacity has been built into the plan for advice and guidance to all services across the Council as well as contingency to respond to emerging risks. This includes time specifically allocated for planned pieces of consultancy work.

- 5.8 **Contingency** – allocation of time to respond to emerging risks and unplanned work, such as requests to audit grant claims, as well as ensuring completion of the previous year's internal audit plan and additional time needed to manage Local Government Re-Organisation.
- 5.9 **VFM & Efficiency Reviews** – additional days will be included in the plan for undertaking Value for Money and Efficiency Reviews.
- 5.10 A summary of the number of days allocated to each category of audit work is shown at **Appendix B**. The proposed individual reviews, including proposed additional reviews that could be taken with additional resource are shown at **Appendix C**.

## **6. AUDIT FOLLOW-UP ARRANGEMENTS**

- 6.1 It is a requirement of the PSIAS that the Head of Internal Audit maintains a system to follow up the implementation of agreed actions from Internal Audit work. Internal Audit will formally follow up the implementation of agreed actions arising from audits that result in partial or limited assurance.
- 6.2 Follow up will be undertaken approximately six months after the issue of the final audit report or in line with the latest agreed timescales for implementation. Where appropriate a revised audit opinion will be issued and reported to the Audit Committee.
- 6.3 Where a follow up is due, but management advise that all actions have not been fully implemented, the follow up will be deferred. Any deferrals will be reported to the Audit Committee for information.
- 6.4 Where the follow up does not allow for a revised audit opinion, the Corporate Director will be informed and requested to continue to monitor the implementation within the directorate. A summary report will be provided to Audit Committee. Internal audit will write to the Corporate Director after a further six months to gain assurance that the remaining actions have been implemented.
- 6.5 Internal Audit will also maintain a schedule of all outstanding audit recommendations and obtain assurances from responsible officers that agreed actions have been implemented.

## **7.0 PERFORMANCE STANDARDS**

- 7.1 Performance information will continue to be reported to the Audit Committee in 2022/23. Regular liaison meetings with the S151 Officer will also continue to be held to discuss ongoing issues.

## **8. CONSULTATION**

- 8.1 Members of the Senior Management Team (SMT) have individually considered their respective areas of the Audit Plan and SMT considered the Draft Audit Plan at its meeting on 23<sup>rd</sup> February 2022.

## **9. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

The Committee is requested to

- i) Approve the 2022/23 Internal Audit Plan which is attached at Appendices A – C with a minimum deliverable Audit Days of 404 days (Appendix A - option 1).
- ii) Approve the Internal Audit Charter for 2022/23 attached at Appendix D.

## **9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

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

**Contact Officer: Michael Roper**

**Ext: 7520**

**Appendices attached to report:**

- Appendix A – Internal Audit Resources 2022/23**
- Appendix B – Internal Audit Plan 2022/23 Categories of Work**
- Appendix C – Internal Audit Plan 2022/23 Audit Assignments**
- Appendix D – Internal Audit Charter 2022/23**

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

- **None**

## **CORPORATE IMPLICATIONS/RISKS:**

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

**Finance** – Contained within the report

**Equality** – **None**

**Information Governance** – **None**



## Appendix A - Internal Audit Resource 2022/23

### Option 1 - Shared Audit Manager (No other Change)

	FTE	Productive Days	Annual Leave	Bank Holidays	Sickness Absence (est)	Training	Net Productive Days
Audit Manager	0.33	85.8	9.24	3	2	2	70
Auditor	1.00	260	28	8	5	5	214
Auditor	0.60	156	23	5	3	5	120
Total (In-house)							<b>404</b>

### Option 2 - Existing Structure (Recruit Manager/ obtain additional resource)

	FTE	Productive Days	Annual Leave	Bank Holidays	Sickness Absence (est)	Training	Net Productive Days
Audit Manager (or additional auditor resource)	1.00	217	28.00	8	5	5	171
Auditor	1.00	260	28	8	5	5	214
Auditor	0.60	156	23	5	3	5	120
Total (In-house)							<b>505</b>

## APPENDIX B - INTERNAL AUDIT PLAN 2022/23 - CATEGORIES OF WORK

Category	Category	Description	Days Allocated	Days Allocated 21/22 (For Info)
A	<b>Corporate Reviews</b>	Reviews that have been identified in consultation with senior management which are strategic in nature or which cut across the entire Council. These reviews are designed to provide assurance that the Council has effective governance and risk management arrangements to mitigate strategic risks	20	30
B-F	<b>Directorate Risk Based Audit Reviews (Corp Supp / Economic Development / Community / Governance / Finance)</b>	Reviews that have been identified in consultation with senior management and following reviews of the Annual Governance Statement Action Plan and Corporate Risk Register. These reviews are spread across service areas following a risk assessment to ensure that Internal Audit resources are targeted at the areas where the greatest benefit will be achieved.	110	125
G	<b>Financial System Reviews</b>	A three-year programme is in place which ensures that each main financial system is reviewed in depth at least once every three years. Management also has a responsibility to ensure that all financial systems continue to operate effectively each year and has asked Internal Audit to confirm with relevant managers that basic controls continue to operate. This will involve completing internal control questionnaires with relevant managers and providing these to the S 151 officer for information.	62	57
H	<b>VFM &amp; Efficiency Reviews</b>	Reviews that focus on use of resources to ensure value for money is achieved	0	10
I	<b>Follow Up Audits</b>	Provision for follow up work is included in the Plan to ensure that any audits with less than reasonable assurance are followed up in line with agreed approach	40	35
J	<b>Counter Fraud incl. policy review</b>	Plan includes provision for counter fraud work. Capacity is also built into the Plan for reactive work should irregularities occur requiring Internal Audit to advise management on their investigations.	25	55
K	<b>Advice and Consultancy</b>	Capacity is built into the plan for advice and guidance to all services across the Council as well as contingency to respond to emerging risks. This allocation also includes agreed consultancy assignments, with Internal Audit offering advice on projects or new ways of working as they are being implemented.	10	20
L	<b>Contingency</b>	An allocation of time to respond to emerging risks and unplanned work, including completion of the previous year's annual plan. This might include requests to audit grant claims for example. A contingency is also included to respond to demands on Internal Audit Resource in relation to Local Government Re-Organisation.	64	86
M	<b>Governance System Reviews incl. Local Code of Corporate Governance and Good Governance Principles</b>	Provision is included for annual review of compliance with local code of corporate governance and contribution towards AGS.	5	5
N	<b>IT Audit</b>	Specialist review of controls and processes in place relating to IT systems and processes. This is specialist work bought-on from external sources.	0	0
X	<b>Audit Committees, incl. Effectiveness Reviews</b>	Allocation of time for preparing reports for Audit Committee and attending briefings and meetings	20	16
Y	<b>Planning/Management</b>	Allocation of time for audit planning, reviewing and preparing audit manual, departmental development and Principal Auditor attendance at Operational Risk Management	48	55
<b>TOTAL</b>			<b>404</b>	<b>494</b>

Appendix C - AUDIT PLAN 2022/23 - AUDIT ASSIGNMENTS

Assignments									
Category	Audit Area	Proposed Scope	Risk Score						Days
			Financial	Political & Reputation	Other (complaints etc.)	Years since last audit review	Last Assurance Level	Total	
Corporate Reviews	Risk Management	Corporate review of risk management framework and strategic operational risk registers against best practice, with a focus on determining progress against improvement actions identified by external review delivered by Zurich Municipal.	5	4	3	5	2	19	15
	Corporate Governance Controls	Annual review of centrally managed internal governance controls (appraisals, e-learning, intranet), including reviewing progress from previous review.	N/A						5
Community Services	Bereavement Services	Risk-based review of Governance, Risk Management and Internal Controls in place for delivery of service following appointment of new Head of Service and re-structure.	5	4	5	3	3	20	20
	Fleet Management (inc Strategy)	Risk based review of implementation and achievement of strategy.	5	3	3	5	3	19	20
Corporate Support	ICT Service Provision	Risk-based review of Governance, Risk Management and Internal Controls in place for delivery of service provision, focusing on ensuring service provision aligns with Council objectives.	5	3	5	5	3	21	20
Economic Development	Town Deal - Business Assurance Framework	Review of recently approved assurance framework, to ensure suitability and ensure processes are in place to achieve intended	5	5	4	2	3	19	20
Governance & Regulatory Services	Sustainable Warmth Grant	Review of accountable body arrangements in place to ensure delivery of grant terms and conditions.	5	4	3	5	3	20	10
	Management Agencies (Contract Management)	Risk-based review of Governance, Risk Management and Internal Controls in place for delivery of service.	3	5	3	5	3	19	20
Main Financial Systems	Internal Control Questionnaires - Non Audited Systems	Annual questionnaires issued to ensure adequate controls in place for all significant systems and process not subject to audit in the previous year.	N/A						2
	Financial Services Governance Arrangements	Overall review of Financial Services Governance arrangements to feed into individual MFS reviews	N/A						5
	Car Parking Income	Cyclical main financial system review to ensure suitable internal controls are in place to secure income and ensure accurate accounting records (merge with Directorate Review)	N/A						20
	National Non Domestic Rates	Cyclical review of controls in place for processing collection of Business Rates.	N/A						20
	Treasury Management	Cyclical main financial system review to ensure suitable internal controls are in place to manage cash flow, maximise returns and ensure accurate accounting records.	N/A						15
	Contingency / Routine Follow Up of Audit Recommendations	Follow up review of implementation of all audit recommendations including provision for additional formal follow-ups of any further partial reviews.	N/A						30
Follow Ups	Neighbourhood Services (Culture)	Follow up of implementation of recommendations from previous review.	N/A						5
	Absence Management	Follow up of implementation of recommendations from previous review.	N/A						5
	Contingency	Contingency for performing fraud investigations, delivering fraud training and progressing annual counter-fraud improvements action plan.	N/A						20
Counter Fraud	Annual fraud review	Annual assessment of authority's counter-fraud arrangements.	N/A						5
	Contingency	Contingency for audit advice requested throughout the year.	N/A						10
Advice & Consultancy	Contingency	General contingency for additional audit work identified within the financial year (e.g. grant claims) including completion of 2021/22 internal audit plan.	N/A						39
	Local Government Re-Organisation	Contingency for additional audit work required to progress delivery of Internal Audit services as part of new authority from 2023/24.	N/A						25
Governance	Good Governance Principles / Local Code of Conduct	Annual update of local code of conduct, including co-ordinating update of governance processes from responsible managers	N/A						5
Audit Committee	Audit Committees - Preparing reports, briefings, attending committee etc.	Time spent preparing reports and attending Audit Committee.	N/A						20
	General Team Management	Audit Services Manager time managing and administering team performance (including team meetings, one to ones, appraisals). 2 hours per week.	N/A						20

## Appendix C - AUDIT PLAN 2022/23 - AUDIT ASSIGNMENTS

Assignments										
Category		Audit Area	Proposed Scope	Risk Score						Days
				Financial	Political & Reputation	Other (complaints etc.)	Years since last audit review	Last Assurance Level	Total	
Planning and Management	Team Admin		Auditor time performing administrative tasks (team meetings, timesheets, appraisals). 1 hour per week.	N/A						10
	Annual review and set up of new documentation		Updating audit manual, including template documents and monitoring systems.	N/A						5
	Continuous Improvement		Time spent reviewing the way Internal Audit deliver work and enhancing audit processes.	N/A						10
	Risk Management Sub Group		Principal Auditor attendance at Risk Management sub-group.	N/A						3
TOTAL PRODUCTIVE										404
Admin Codes	Annual Leave		N/A						79	
	Bank Holidays		N/A						21	
	Sickness		N/A						13	
	Training		N/A						15	
TOTAL DAYS										532

Additional Assignments									
Category	Audit Area	Proposed Scope	Risk Score						
Corporate Reviews	Records Management	Review of Records Management to ensure retention and security policies are in place for all records, with a focus on ensuring processes are in place for the destruction of documentation no	5	5	4	4	3	21	15
	Community Services	Playgrounds / Recreation Grounds	Risk-based review of Governance, Risk Management and Internal Controls in place for delivery of service focusing on utilisation of S106 funding.	3	4	3	5	3	18
Governance & Regulatory Services		Garages.	Risk-based review of Governance, Risk Management and Internal Controls in place for delivery of service.	4	3	4	4	3	18
	VFM & Efficiency Reviews	Licensing	Risk-based review of Governance, Risk Management and Internal Controls in place for delivery of service.	4	4	3	5	2	18
Tullie House		Domestic Abuse Victim Support	Risk-based review of Governance, Risk Management and Internal Controls in place for delivery of service.	4	4	2	5	3	18
	Business Continuity Plans	Leisure Management Contract Management	Review of value-for-money arrangements in place in relation to contracted service provision.	5	5	4	4	3	21
Audit Advice			Review of value-for-money arrangements in place in relation to externalised service provision.	5	4	4	3	3	19
	Business Continuity Plans		Provision of ongoing advice in relation to development and update of Business Continuity Plans.	N/A					
TOTAL ADDITIONAL									100
TOTAL PRODUCTIVE									504

## **INTERNAL AUDIT CHARTER**

### **1. Introduction**

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

### **2. The Mission of Internal Audit**

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

### **3. Purpose**

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

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

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

## **4 Core Principles for the Professional Practice of Internal Auditing**

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

## **5 The Role of Internal Audit**

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

## 5.5 Internal Audit activities in support of this include:

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

## 6 Authority, Responsibility and Objectives

### Authority

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

### Responsibilities and Objectives

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



**Planning**

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

**Implementation**

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

**Reporting**

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

**Relationships with other Inspectorates**

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

**Non-Audit / management responsibilities**

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

- Internal Audit does not have any operational responsibilities;
- Internal Audit does not have any part in decision making within the Council or for authorising transactions; and

- Internal Audit is not responsible for implementing its recommendations (though may offer further consultancy advice where necessary) or for ensuring that these are implemented (though implementation of audit recommendations will be monitored and reported to the Audit Committee on a regular basis).
- 6.8 All Internal Audit Officers will complete an annual declaration of business interests, which will include mitigating controls to prevent any potential conflicts of interest.
- 6.9 The Designated Head of Internal Audit is also the Council's Head of Financial Services, with management responsibility for the Accountancy team. Several controls have been implemented to prevent any impairment to Internal Audit's independence or objectivity:
- The Audit plan will be agreed by the Senior Management Team collectively.
  - Audit reviews are presented to the Audit Committee by the Audit Services Manager.
  - The scope of all audits are agreed in advance with Chief Officers.
  - The Head of Financial Services will not review any work that they have direct operational responsibility.
  - Any non-cosmetic amendments requested for reports in this area will be reported to the Audit Committee.
  - Satisfaction surveys will not be issued for audits that the Head of Financial Services has operational responsibility.
  - The Audit Services Manager has a direct reporting access to the Chair of the Audit Committee and Chief Executive.
- 6.10 The presence of internal audit does not in any way detract from management's responsibilities for maintaining effective systems of governance, risk management and internal control.
- 6.11 Internal audit's role is to provide senior management and the Audit Committee with assurance that the management have established procedures that allow them to prevent or detect fraud or error, and to respond appropriately should this occur. Internal audit does not have any responsibilities for preventing or detecting fraud or error, this is the responsibility of the Council's managers.
- 6.12 It is the responsibility of the Council's managers to maintain adequate systems of internal control and to review their systems to ensure that controls continue to operate effectively.
- 6.13 The role of Internal Audit and the Council's managers is summarised in the Three Lines model attached.

## **7 Scope of Internal Audit Work**

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

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

## **8 Position and Reporting Lines for Internal Audit**

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

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

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

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

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

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

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

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

## 9 Ethics, Independence and Objectivity

### Ethics

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

### Independence

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

### Resourcing, Proficiency and Due Professional Care

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

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

The Role of Internal Audit in Fraud-related work

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

Advice / Consultancy work

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

**10 Management and Board Responsibilities**

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

- 10.2 For Internal Audit to be fully effective, it needs the full commitment and cooperation from management in the Council. In approving this Charter, the S151 Officer (Corporate Director of Finance & Resources) and the Audit Committee are mandating management to cooperate with Internal Audit in the delivery of the service by:
- Attending audit planning and scoping meetings and agreeing the terms of reference for individual audit assignments on a timely basis;
  - Sponsoring each audit assignment at Service Manager level or above;
  - Providing Internal Audit with full support and cooperation, including complete access to all records, data, property and personnel relevant to the audit assignment on a timely basis;
  - Responding to internal audit reports and making themselves available for audit finding and closeout meetings to agree draft audit reports;
  - Implementing audit recommendations within agreed timescales.
- 10.3 Instances of non-cooperation with reasonable audit requests will be escalated through the Senior Management Team and ultimately to the Audit Committee.
- 10.4 While Internal Audit is responsible for providing independent assurance to the Council and the Audit Committee, it is the responsibility of the Council's management to develop and maintain appropriately controlled systems and operations. Internal Audit does not remove the responsibility from management to continually review the systems and processes for which they are responsible and to provide their own assurances to senior management and elected Members that they are maintaining appropriately controlled systems.

## **11 Quality Assurance**

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

### Internal assessments

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

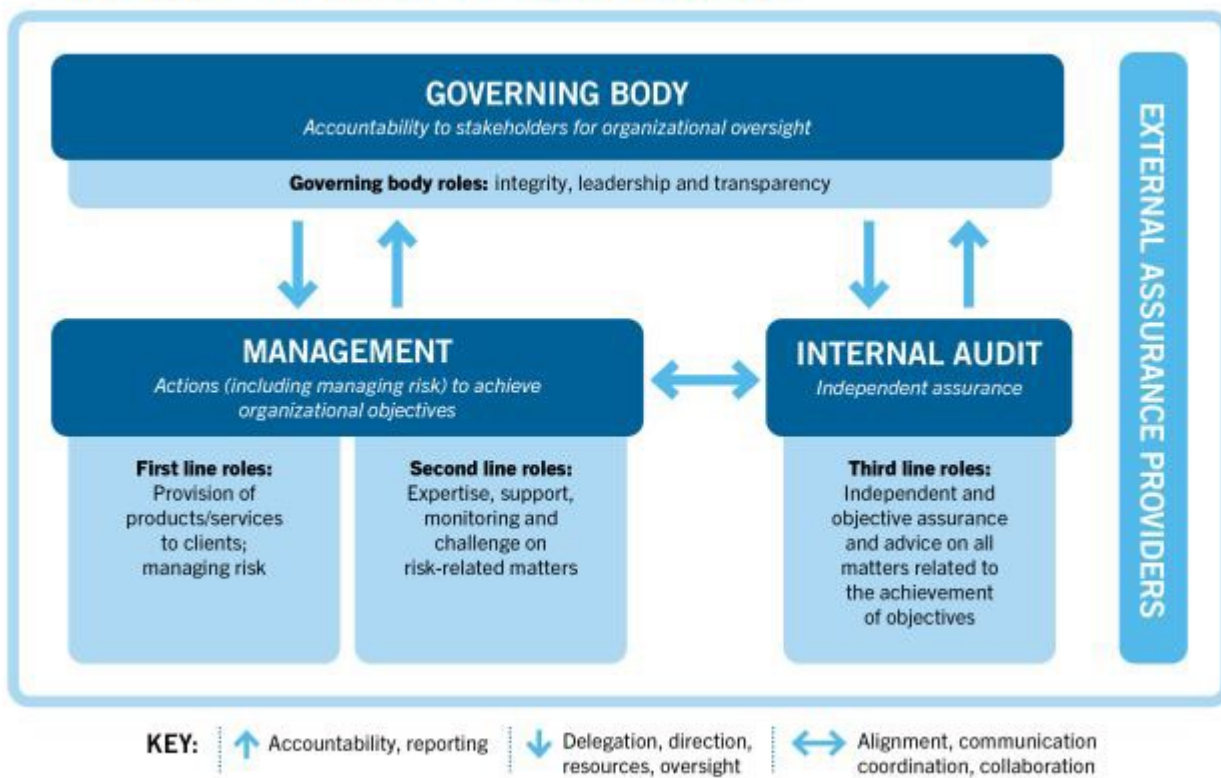
### External assessments

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

## **12 Review of the Audit Charter**

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

## The IIA's Three Lines Model (2020)



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

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





Meeting Date: 23 March 2023  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2021  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 72/21

## Purpose / Summary:

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

## Recommendations:

That this report be noted

## Tracking

Executive:	<b>21 February 2022</b>
Audit Committee:	<b>23 March 2022</b>
Council:	<b>Not applicable</b>

## Report to Executive

Agenda  
Item:

Meeting Date: 21 February 2022  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2021  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 72/21

### 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 2021.

### Tracking

Executive:	<b>21 February 2022</b>
Audit Committee:	<b>23 March 2022</b>
Council:	<b>Not applicable</b>

## **1. INTRODUCTION**

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

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period to October - December 2021

- **Appendix A1** – Treasury Transactions October to December 2021
- **Appendix A2** – Investment Transactions October to December 2021
- **Appendix A3** – Outstanding Investments at December 2021

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2021/22:

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

## **2. RISKS**

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

## **3. CONSULTATION**

3.1 Consultation to Date.  
None.

## **4. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

4.1 That this report be received, and the Prudential Indicators noted as at the end of December 2021.

## **5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

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

**Contact Officer:** Emma Gillespie

**Ext:** 7289

**Appendices  
attached to report:**

**Appendix A1 – Treasury Transactions October to December  
2021**

**Appendix A2 – Investment Transactions October to December  
2021**

**Appendix A3 – Outstanding Investments at December 2021**

**Appendix B1 – Prudential Code background**

**Appendix B2 – Prudential Indicators**

**Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:**

- **None**

**Corporate Implications:**

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

**Property Services** – Not applicable

**Finance** - Included in the report

**Equality** - This report raises no explicit issues relating to the public sector Equality Duty

**Information Governance**- No implications

TREASURY TRANSACTIONS  
OCTOBER 2021 to DECEMBER 2021

1. LOANS (DEBT)1.1 Transactions October to December 2021

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

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

1.2 Loans (Debt) Outstanding at December 2021

	£
P.W.L.B.	8,550,000
P.W.L.B.	4,500,000
Short Term Loans	12,800
	<b>13,062,800</b>

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end of December 2021	475,000	0	12,800	<b>487,800</b>

1.4 Interest Rates

Bank base rates for the period covered by this report remained static at 0.25%; however, the Bank of England increased this base rate to 0.50% on 3 February 2022 to try and control inflation.

## 2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	10,000,000	0.01 - 0.21	8,000,000	0.01 - 0.19
	<b>10,000,000</b>		<b>8,000,000</b>	

A full schedule of short term investment transactions is set out in **Appendix A2**. **Appendix A3** shows outstanding short-term investments at 31 December 2021.

## 3 REVENUES COLLECTED

To: 31 December 2021		Collected £	% of Amount Collectable %
2021/22	Council Tax NNDR	59,038,440 29,270,978	84.02 79.75
<b>Total</b>		<b>88,309,418</b>	<b>82.55</b>
2020/21	Council Tax NNDR	55,482,133 17,181,774	83.13 77.31
<b>Total</b>		<b>72,663,907</b>	<b>81.68</b>
2019/20	Council Tax NNDR	54,392,007 36,575,629	84.83 82.38
<b>Total</b>		<b>90,967,636</b>	<b>83.83</b>

Collection levels have begun to show signs of recovery from 2020/21 levels which were significantly reduced due to the impact of COVID-19.

## 4 BANK BALANCE

At 31 December 2021 £15,940,585 in hand.

This records the Council's bank balance at the end of the last day covered by the report. This is unusually higher than normal as there is an expectation of a significant repayment to DLUHC in the last quarter of the year; and availability of appropriate net returns on short dated MMF/Call accounts has not made it financially viable to invest short-term.

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS  
TO DECEMBER 2021

April –December 2021

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(125)	(135)	(10)
Interest Payable	321	91	(230)
Less Rechargeable	0	0	0
	<b>321</b>	<b>91</b>	<b>(230)</b>
Principal Repaid (MRP)	0	0	0
Debt Management	12	13	1
<b>NET BALANCE</b>	<b>208</b>	<b>(31)</b>	<b>(239)</b>

The profiled budget is to 31 December 2021.

Interest receivable is ahead of expectations due to higher than forecast average cash balances even though interest rates remain low.

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

The CCLA property investment saw an increase in the capital value to the end of December. Dividends and yield levels are currently 3.46%.

# APPENDIX A2

## SHORT TERM INVESTMENT TRANSACTIONS OCTOBER TO DECEMBER 2021

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
Standard Chartered	1,000,000.00		HSBC	3,000,000.00
HSBC	3,000,000.00		Standard Chartered	1,000,000.00
HSBC	1,000,000.00		HSBC	1,000,000.00
Federated Investors	4,000,000.00		Standard Chartered	1,000,000.00
Standard Chartered	1,000,000.00		Standard Chartered	1,000,000.00
			Standard Chartered	1,000,000.00
<b>TOTAL</b>	<b>10,000,000</b>			<b>8,000,000</b>
			Bfwd	28,518,783
			Paid	10,000,000
			Repaid	8,000,000
			<b>Total</b>	<b>30,518,783</b>
			<b>CCLA Change</b>	<b>177,446</b>
			<b>Total</b>	<b>30,696,229</b>



### Outstanding Investments as at 31 December 2021

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors (UK)	4,000,000	0.04%			MMF		
O	HSBC UK Bank Plc (RFB)	5,000,000	0.14%			Call1		
R	Standard Chartered Bank	2,000,000	0.08%	01/10/2021	04/01/2022	4	95	416
R	Goldman Sachs International Bank	1,000,000	0.15%	13/07/2021	28/01/2022	28	199	818
O	HSBC UK Bank Plc (RFB)	2,000,000	0.25%			Call31		
O	HSBC UK Bank Plc (RFB)	3,000,000	0.25%			Call31		
R	Goldman Sachs International Bank	1,000,000	0.18%	30/07/2021	01/02/2022	32	186	917
R	Goldman Sachs International Bank	1,000,000	0.13%	27/08/2021	25/02/2022	56	182	648
R	Standard Chartered Bank	1,000,000	0.21%	24/12/2021	25/03/2022	84	91	524
R	Santander UK PLC	2,000,000	0.58%			Call180		
R	Santander UK PLC	3,000,000	0.58%			Call180		
R	Santander UK PLC	2,000,000	0.58%			Call180		
<b>Total Investments</b>		<b>£27,000,000</b>	<b>0.26%</b>					<b>£3,323</b>

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Entry Cost (£) <sup>1</sup>	Initial Market Value (£)	Unrealised Growth (£)
CCLA Property Fund	3,696,229	3.46%	31/07/2014	3,000,000	(163,104)	2,836,896	696,229

1. Entry Costs were charged against Treasury Management Budget in 2014/15

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

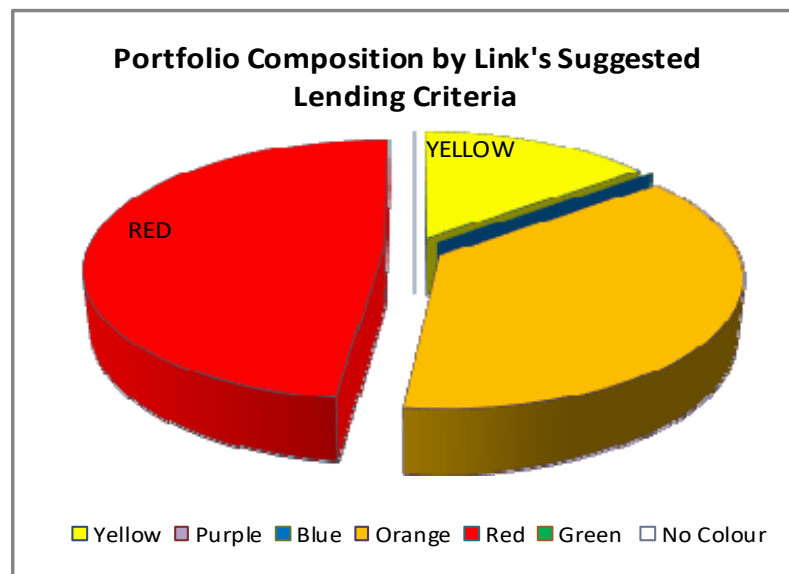
The category colour represents the duration of investment recommended by Link, the Council's Treasury Advisors. Those investments with no colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

## Investment Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Days 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	14.81%	4,000,000	100.00%	4,000,000	14.81%	0.04%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	37.04%	10,000,000	100.00%	10,000,000	37.04%	0.20%	16	16
Red	48.15%	13,000,000	53.85%	7,000,000	25.93%	0.38%	113	162
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	<b>100.0%</b>	<b>27,000,000</b>	<b>77.78%</b>	<b>21,000,000</b>	<b>77.78%</b>	<b>0.26%</b>	<b>60</b>	<b>84</b>

Risk Score for Colour (1 = Low, 7 = High)	Dec 2021	Sep 2021	Jun 2021	Mar 2021
1	0.1	0.0	0.00	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	1.5	1.7	1.9	2.2
5	2.4	2.8	2.6	2.3
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	<b>4.0</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>

	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Normal' Risk Score	3.5	3.5	3.5	3.5
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### THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

#### 1. Introduction

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

#### 2. Prudential Indicators

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

#### 3. Prudential Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Following the introduction of the Prudential Code in 2003, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, Capital expenditure, and treasury management. Set out below are the indicators for 2021/22 to date as detailed in the Treasury Management Strategy Statement for 2021/22.

**(a) Affordability**

	2021/22 Original Estimate £	2021/22 Revised Estimate £
<b>(i) Capital Expenditure</b>	19,070,400	32,642,900
<b>(ii) Financing Costs</b> Total Financing Costs	458,100	(44,442)
<b>(iii) Net Revenue Stream</b> Funding from Govt Grants/Local Taxpayers	13,848,000	13,848,000
<b>(iv) Ratio of Financing Costs to Net Revenue Stream</b> 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.	3.31%	(0.32%)
<b>(v) Incremental Impact on Council Tax</b> This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	12.82	18.19
<b>(vi) Authorised Borrowing Limit</b> Maximum Level of Borrowing and Other Long term Liabilities	45,100,000	48,100,000
	34,380,000	34,380,000
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2021/22 Original Estimate £	2021/22 Revised Estimate £
<b>(vii) Operational Borrowing Limit</b> 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.	40,100,000  34,380,000	43,100,000  34,380,000
<b>(viii) Capital Financing Requirement (CFR)</b> As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	39,601,000	40,948,000

**(b) Prudence and Sustainability**

	2021/22 Original £
<b>(i) New Borrowing to Date</b> Long Term Borrowing has been taken in 2021/22 to date	0 0
<b>(ii) Percentage of Fixed Rate Long Term Borrowing</b> at December 2021	100%
<b>(iii) Percentage of Variable Rate Long Term Borrowing</b> at December 2021 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%
<b>(iv) Minimum Level of Investments Classified as Specified</b> Level of Specified Investments as at December 2021  As part of the Capital Investment Strategy for 2021/22, 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%

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## EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 21 FEBRUARY 2022

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**EX.30/22    TREASURY MANAGEMENT OCTOBER - DECEMBER 2021**  
(Non Key Decision)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

**Subject Matter**

The Finance, Governance and Resources Portfolio Holder submitted report RD.72/21 providing the regular quarterly report on Treasury Transactions, including the requirements of the Prudential Code.

The Finance, Governance and Resources Portfolio Holder moved, and the Leader seconded, the recommendation.

**Summary of options rejected**                      none

**DECISION**

That Report RD.72/21 be received, and the Prudential Indicators noted as at the end of December 2021.

**Reasons for Decision**

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

# Carlisle City Council

## Report to Audit Committee

Item  
A.8

### Report details

Meeting Date:	23 March 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not Applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Technical update and Consultations
Report of:	Corporate Director of Finance and Resources
Report Number:	RD76/21

### Purpose / Summary:

This report provides the Audit Committee with an update on technical issues and consultations on financial and auditing subjects.

### Recommendations:

The Audit Committee is asked to note the update on consultations and technical issues, including the responses made by Link which are included in Part B.

### Tracking

Audit Committee:	23 March 2022
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## **1. Background**

- 1.1 This report aims to provide the Audit Committee with an update on technical issues and external consultations relating to any financial or auditing matter of relevance to the Council.
- 1.2 Although the Council is notified of all consultations issued from, for example, DLUHC or CIPFA, not all consultations will be relevant and there will be occasions where the Council does not wish to respond.

## **2. Open Consultations**

- 2.1 Emergency Proposals for an Update of the 2021/22 Code of Practice
- 2.2 CIPFA LASAAC (Local Authority (Scotland) Accounts Advisory Committee) has issued an exceptional consultation on time limited changes to the code to help alleviate delays to the publication of audited financial statements. Only 9% of local authority accounts in England met the audit publication deadline of 30 September 2021. Members are reminded that the deadlines for the production and audit of the 2021/22 accounts are 31<sup>st</sup> July 2022 and 30<sup>th</sup> September 2022 respectively.
- 2.3 The consultation period will be four weeks, closing on 3 March 2022.
- 2.4 In December 2021, the Department of Levelling-up Housing and Communities asked CIPFA LASAAC to consider ways in which the code may ameliorate this crisis position. CIPFA LASAAC considered this request and has issued this exceptional consultation, which explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.
- 2.5 After considering a wide range of options CIPFA LASAAC decided to explore two approaches:
  - an adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
  - deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.
- 2.6 As well as the two approaches above, CIPFA LASAAC considered other options that might ease the accounts preparation and assurance resource pressures. The options considered were:



- Making no changes to the Code
- Changes to valuation approach (encompassing materiality considerations)
- Suspending the requirement for group financial statements
- Decoupling pension fund reporting from administering authority financial statements
- Delaying the implementation of IFRS 16 (voluntary or mandatory)
- Reducing disclosure requirements for pension fund assets in authority financial statements
- Suspending or abating local government input to WGA
- Non-publication of 2021/22 financial statements

2.7 For the Council, the two options put forward, pausing professional valuations and delaying IFRS16 will have limited impact. The timeliness of the consultation means that professional valuations for 2021/22 have already been commissioned in order for them to be received by 31 March 2022 so the Council will be updating its asset portfolio values for the 2021/22 Statement of Accounts.

2.8 Although the introduction of IFRS16 for 1 April 2022 is only included in the 2022/23 Code, it would mean that appropriate disclosures would have to be made in the 2021/22 Statement of Accounts of the potential impact. The Council does not have a significant portfolio of leased in assets, therefore the impact of the IFRS16 introduction was never going to be significant for the Council. Therefore, a further delay will have minimal issues for the Council. The Council's Treasury Advisors, Link, have prepared their response to the Consultation which are included in Appendix A in Part B of this agenda.

2.9 Consultation on changes to the Capital Framework: Minimum Revenue Provision

2.10 The Department for Levelling Up, Housing and Communities (DLUHC) issued "Consultation on changes to the capital framework: Minimum Revenue Provision" on 30th November 2021 to last until 8th February 2022.

2.11 This consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.

2.12 Local authorities borrow and invest under the Prudential Framework (the Framework), which comprises legislation and 4 statutory codes that authorities must have regard to. Under this system, authorities have wide freedoms to borrow and invest without the need to seek the government's consent, provided that borrowing is affordable. The intent of the Framework is to make sure local decisions are prudent, affordable and sustainable.

- 2.13 Where authorities borrow to finance capital spend, they are required under regulations to set aside money each year from their revenue account. This is referred to as Minimum Revenue Provision (MRP) and is to make sure they can afford to repay the principal of their debt.
- 2.14 Local authorities have flexibility in how they calculate MRP, providing it is 'prudent'. Further guidance on how to calculate a prudent amount is given in the government's Statutory guidance on Minimum Revenue Provision, which authorities must have regard to. Notwithstanding these flexibilities, authorities must meet the statutory requirement that the charge is prudent and is made to revenue. Where the duty is not adequately met, this can result in authorities borrowing more than they could otherwise afford and pushing liabilities and risk into the future.
- 2.15 The government is aware that some authorities employ practices that are not fully compliant with the duty to make a prudent revenue provision, resulting in underpayment of MRP. This was reported in the National Audit Office's report Local authority investment in commercial property (February 2020) and the subsequent report by the Public Accounts Committee in July 2020, which recommended the government take steps to address the issue.
- 2.16 The behaviours the government is seeking to address are:
- Local authorities using sales from assets (capital receipts) in place of a charge to revenue. Authorities may use capital receipts to reduce overall debt and thereby reduce MRP through the calculation. Capital receipts may not, however, be used in lieu of a prudent charge to revenue.
  - Local authorities are not charging MRP on debt related to certain assets. The evidence is that while some authorities are making MRP for commercial investments funded by borrowing, some are still not paying MRP in relation to borrowing associated with investment assets or capital loans. The statutory guidance is clear that financing for investment assets and capital loans requires provision to be made.
- 2.17 The government is proposing additional text to be added to the 2003 Regulations to make explicit that:
- Capital receipts may not be used in place of the revenue charge. The intent is to prevent authorities avoiding, in whole or part, a prudent charge to revenue. It is not the intention to prevent authorities using capital receipts to reduce their overall debt position, which may have the effect of reducing the MRP made with respect to the remaining debt balance.

- Prudent MRP must be determined with respect to the authority's total capital financing requirement (CFR). The intent is to stop the intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan. Authorities should still be able to charge MRP over the period in which their capital expenditure provides benefits and begin charging MRP in the year following capital expenditure, in accordance with proper accounting practices set out in the government's statutory guidance on Minimum Revenue Provision.

2.18 Neither of the proposed changes will significantly affect the Council's MRP Policy (As included in the Treasury Management Strategy Statement. However, the Council calculates MRP on the overall CFR less the figure that was calculated on transition to the current capital financing framework in 2004 ("Adjustment A"). This was a change implemented via regulation and allowed for any difference between the (current) Capital Financing Requirement and (previous) Credit Ceiling regime to be permanently deducted from the debt liability that is used in the MRP calculation. Therefore, Government may need to clarify if such an adjustment falls within the regulations to ensure statutory adjustments to the CFR, such as Adjustment A, would remain in place. This clarification has been included in the response to the consultation from our Treasury advisors, Link and is provided at **Appendix B** in Part B of this agenda.

### **3. Consultation**

3.1 None

### **4. Conclusion and reasons for recommendations**

4.1 The Audit Committee is asked to note the update on consultations and technical issues, including the responses made by Link which are included in Part B.

#### **Contact details:**

Contact Officer: Steven Tickner

Ext: 7280

#### **Appendices attached to report (included in Part B):**

- Appendix A – Link Response to Emergency Proposals for an Update of the 2021/22 Code of Practice
- Appendix B – Link Response to Consultation on changes to the Capital Framework: Minimum Revenue Provision

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

**Corporate Implications:**

Legal - Any legal implications of the consultations in this report will be dealt with as and when they arise.

Property Services - none

Finance - Contained within the report

Equality - None

Information Governance – None