

AGENDA

Audit Committee

**Wednesday, 28 September 2022 AT 10:00
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 - 18

To approve the minutes of the meetings held on 8 July and 27 July 2022.
(Copy minutes herewith)

PART A

To be considered when the Public and Press are present

A.1	<u>EXTERNAL AUDITOR'S PROGRESS REPORT AND SECTOR UPDATE</u>	19 - 36
	Grant Thornton to present a report updating the Committee on progress in delivering their responsibilities as the Council's External Auditors. (Copy report herewith)	
A.2	<u>INTERNAL AUDIT PROGRESS 2022/23 (JULY-SEPTEMBER)</u>	37 - 48
	The Corporate Director of Finance and Resources to submit a report providing an overview of the work carried out by Internal Audit between July and September 2022/23. The report also includes information on progress against the agreed audit plan, performance indicators and previous recommendations. (Copy report RD.34/22 herewith)	
	The undernoted Final Audit Report is submitted for consideration:	
A.2(i)	<u>INTERNAL AUDIT REPORT – ABSENCE MANAGEMENT (FOLLOW-UP)</u>	49 - 72
	(Copy report RD.35/22 herewith)	
A.3	<u>TREASURY MANAGEMENT - APRIL TO JUNE 2022</u>	73 - 88
	The Corporate Director of Finance and Resources to submit a report providing the regular quarterly summary of Treasury Management Transactions for the first quarter of 2022/23. The Executive consider the matter on 30 August 2022. (Copy report RD.33/22 and Minute Excerpt herewith)	
A.4	<u>TREASURY MANAGEMENT PRACTICES - TMPs</u>	89 - 134
	The Corporate Director of Finance and Resources to submit a report which provides the Audit Committee with the updated Treasury Management Practices following changes made to the Treasury Management Code of Practice and the Prudential Code. (Copy report RD.37/22 herewith)	

The Corporate Director of Finance and Resources to submit a report providing an update on technical issues on financial and auditing subjects.
(Copy report RD.36/22 herewith)

The Corporate Director of Finance and Resources to submit a report providing an update on the Effectiveness Review undertaken in 2020 and subsequent training needs analysis undertaken in 2021, and requests that the Committee note the results and agree to the proposed training programme set out in the report.

(Copy Report RD.38/22 herewith)

Audit Committee

Date: Friday, 08 July 2022

Time: 10:00

Venue: Flensburg Room

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

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

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

AUC.19/22 APPOINTMENT OF CHAIR

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

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

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

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

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

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

Councillor Patrick thereupon took the Chair.

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

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

AUC.20/22 APPOINTMENT OF VICE CHAIR

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

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

AUC.21/22 APOLOGIES FOR ABSENCE

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

AUC.22/22 DECLARATIONS OF INTEREST

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

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

AUC.23/22 PUBLIC AND PRESS

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

AUC.24/22 MINUTES OF PREVIOUS MEETINGS

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

AUC.25/22 EXTERNAL AUDIT PLAN 2021/22

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

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

The Committee asked the following questions during discussion:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

approaches to fraud investigation between the Council and DWP.

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

RESOLVED - 1) That the Audit Committee:

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

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

Members considered the following individual completed audit reviews:

Property Income

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

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

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

Sands Centre Development

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

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

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

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

Council Tax

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

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

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

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

Recycling Performance

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

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

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

Development Management (Complaints)

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

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

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

Future High Street Fund

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

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

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

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

Creditors

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

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

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

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

Main Accounting System

Members welcomed the report.

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

Procurement (Counter-Fraud)

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

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

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

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

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

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

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

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

RESOLVED - 1) That the Audit Committee noted:

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

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

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

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

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

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

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

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

AUC.29/22 HOUSING BENEFIT SUBSIDY 2020/21

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

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

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

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

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

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

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

AUC.30/22 TREASURY MANAGEMENT OUTTURN 2021/22

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

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

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

AUC.31/22 TECHNICAL UPDATE AND CONSULTATIONS

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

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

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

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

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

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

AUC.32/22 PUBLIC AND PRESS

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

AUC.33/22 INTERNAL AUDIT REPORT - ICT RECOMMENDATIONS

(Public and Press excluded by virtue of Paragraph 3)

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

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

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

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

AUC.34/22 INTERNAL AUDIT REPORT - CYBER SECURITY

(Public and Press excluded by virtue of Paragraph 3)

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

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

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

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

The Meeting ended at: 13:00

Audit Committee

Date: Wednesday, 27 July 2022

Time: 10:00

Venue: Flensburg Room

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

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

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

AUC.35/22 APPOINTMENT OF VICE CHAIR

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

It was moved, seconded and

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

AUC.36/22 APOLOGIES FOR ABSENCE

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

AUC.37/22 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

AUC.38/22 PUBLIC AND PRESS

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

AUC.39/22 MINUTES OF PREVIOUS MEETING

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

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

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

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

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

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

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

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

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

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

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

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

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

In discussing the report Members raised the following:

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

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

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

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

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

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

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

RESOLVED – That the Audit Committee:

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

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

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

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

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

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

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

The Meeting ended at: 10:47

Carlisle City Council Audit Progress Report and Sector Update

Year ending 31 March 2022

September 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:

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Key Audit Partner

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E Gareth.Kelly@uk.gt.com

Georgina Philp

Engagement Manager

Hamza Mulla

Audit 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 <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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 September 2022

Financial Statements Audit

We undertook our initial planning for the 2021/22 audit in July 2022 and began our audit of your draft financial statements in August 2022.

In July we issued a detailed audit plan, setting our proposed approach to the audit of the Authority's 2021/22 financial statements.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that comes into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 is extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the end of October 2022 to mid November 2022, ahead of the statutory deadline.

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 was 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. We anticipate issuing our Auditor's Annual Report by 31 December 2022.

Progress at September 2022 (cont.)

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth 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 the period 2018/19 to 2021/22 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

2021/22 Deliverables	Planned Date	Status
Audit Plan 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 and to report on the Authority's value for money arrangements in the Auditor's Annual Report	July 2022	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	September 2022	Complete
Audit Findings Report The Audit Findings Report will be reported to Audit Committee.	October/ November 2022	Not yet due
Auditors Report This includes the opinion on your financial statements.	October/ November 2022	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	December 2022	Not yet due

Results of Interim Audit Work

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

	Work performed	Conclusions and recommendations
Internal audit	We have reviewed internal audit's work on the Authority's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses, which impact on our audit approach.
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses, which are likely to adversely impact on the Authority's financial statements.
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses, which are likely to adversely impact on the Authority's financial statements.

	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We have completed walkthrough tests of the Authority's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements. These systems include property, plant and equipment, pensions and journals.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Authority's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.	Our work has identified that the Corporate Director of Finance and Resources has access rights to post journals to the general ledger. Our work has confirmed she has not posted any journals during 2021/22. We recommend that this access right to post journals is removed.

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

Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice [from the National Audit Office].
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)



Department for Levelling Up,
Housing & Communities

Levelling up White Paper – Department for Levelling Up, Housing and Communities (“DLUHC”)

On 2 February the Department for Levelling Up, Housing and Communities (“DLUHC”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)
(www.gov.uk)



Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Housing and Communities (“DLUHC”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



The Value of Internal Audit – CIPFA

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, Internal Audit: Untapped Potential, lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

Culture and governance

The Audit Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' and not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

For more information, Rob Whiteman share his views on this report.



Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \(NAO\) Report](#)

Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

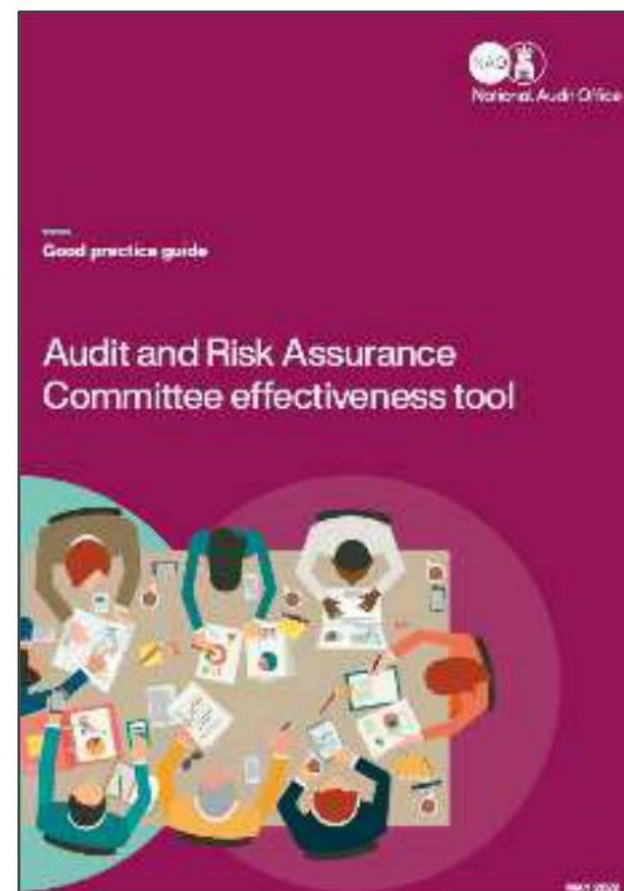
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:
[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)

Guide for audit and risk committees on financial reporting and management during COVID-19 – NAO

The National Audit Office (NAO) has published this guide which aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak

The NAO comment “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The guide includes sections on:

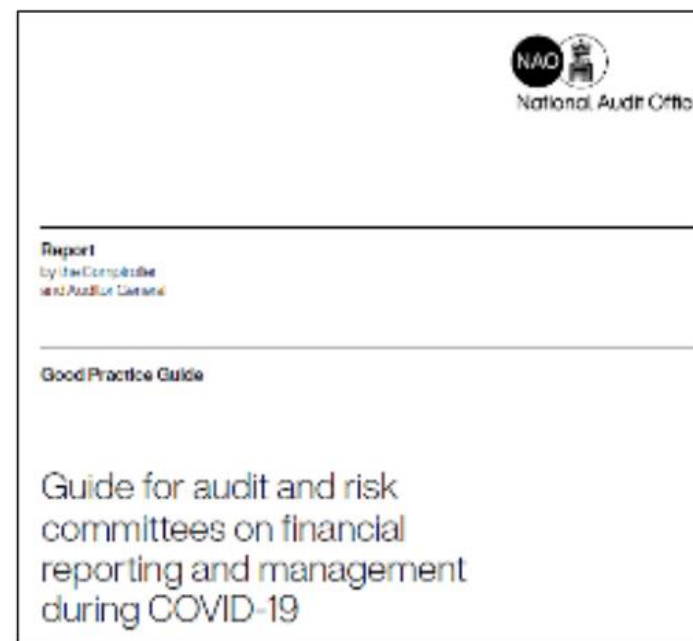
- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure

The guide can be found here:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

The guide includes a number of key questions covering areas such as:

- Property valuations
- Pension scheme valuations
- Completeness of liabilities
- Events after the reporting period
- Control environment
- Fraud and error





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Meeting Date: 28 September 2022
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework YES
Public / Private Public

Title: INTERNAL AUDIT PROGRESS 2022/23 (JULY-SEPTEMBER)

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number: RD34/22

Purpose / Summary:

This report provides an overview of the work carried out by Internal Audit between July and September of 2022/23. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

Recommendations:

The Committee is requested to

- i) note the progress against the audit plan for 2022/23;
- ii) receive the final audit assignments as outlined in paragraph 2.3;
- iii) note the progress made on audit recommendations to date outlined in Appendix B.

Tracking

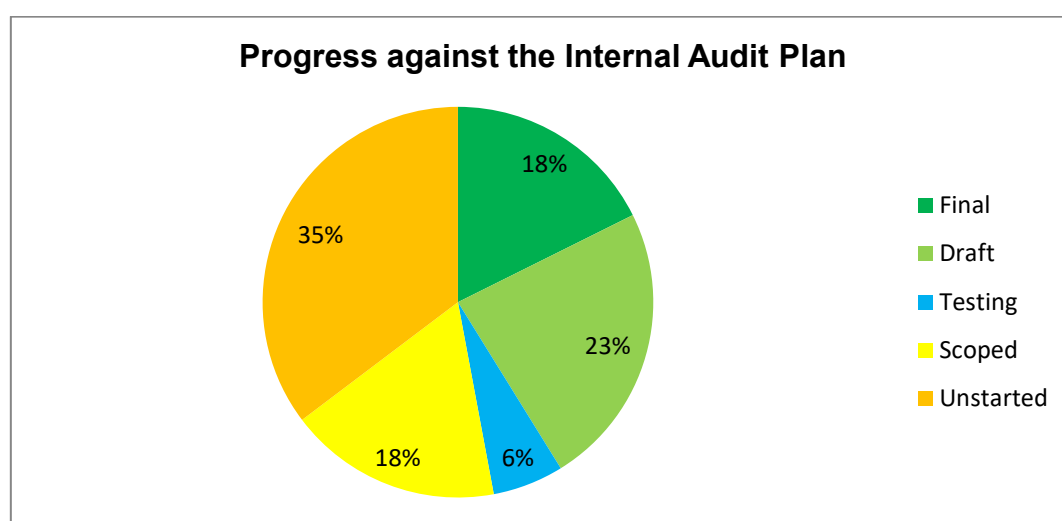
Audit Committee:	28 September 2022
Scrutiny Panel:	Not applicable
Council:	Not applicable

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.

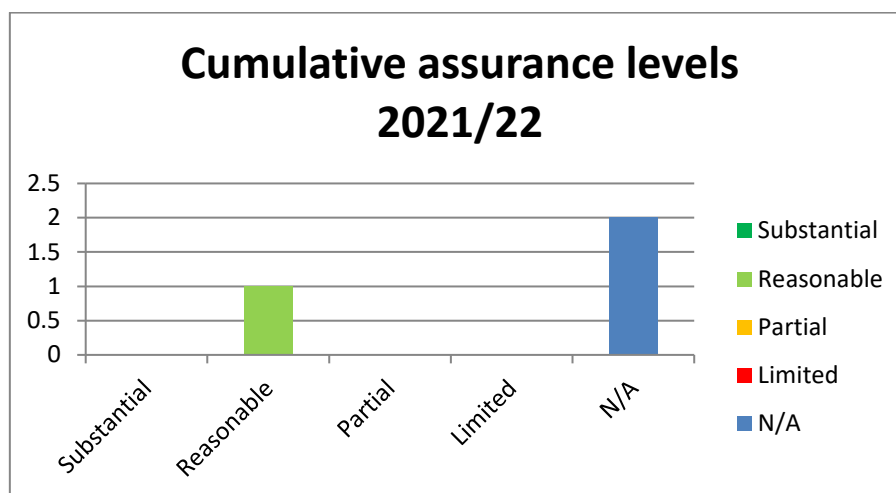
2. PROGRESS AGAINST AUDIT PLAN

- 2.1 Progress against the 2022/23 audit plan is detailed at **Appendix 1**.



- 2.2 41% of planned reviews have been finalised to draft and a further 24% of planned audits are underway, indicating good progress against the audit plan.
- 2.3 Two planned pieces of work were finalised in the period.

Review Area	Assurance Level
Absence Management (Follow-Up)	Reasonable
Annual Governance Statement / Good Governance Principles (No report – see below)	N/A



2.4 Work was completed on updating the Good Governance Principles to reflect the governance framework in place for 2021/22. This piece of work contributed towards the content of the 2021/22 Annual Governance Statement (as approved at the 27 July 2022 Audit Committee).

2.5 Audit resource was also utilised in the period on the following:

- Audit advice to Accountancy Services in relation to adapting processes for a creditor who was unable to provide written confirmation of their details.
- Audit advice to Accountancy Services in relation to training provided to agency staff.
- Attendance at various LGR meetings and workshops
- Audit advice in relation to risk registers presented by Regulatory Services in relation to the Sustainable Warmth Grant.

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 2022/23.

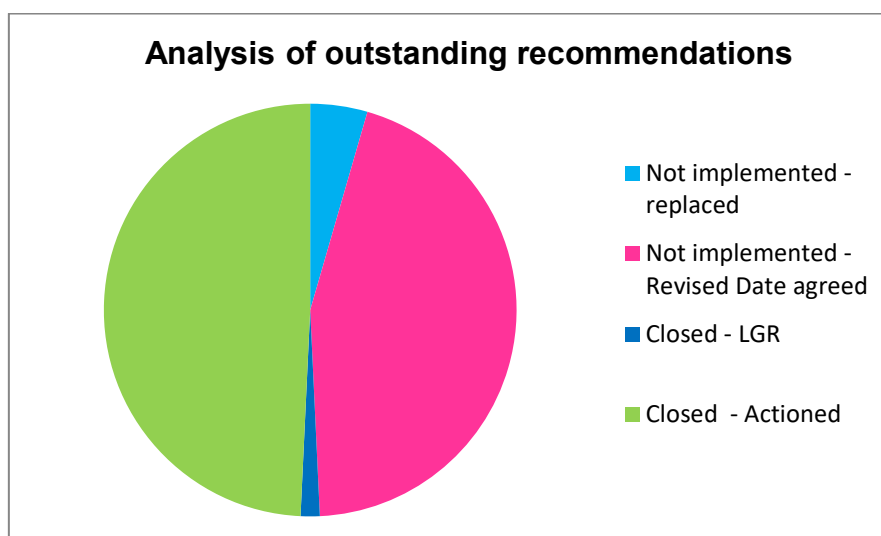
Indicator	Target (YTD)	Performance	Comments
Planned Audits Completed	45%	18%	41% to draft.
Timely Draft Reports (within 3 months of fieldwork starting)	80%	100%	
Timely Final Reports (within 8 days of client response)	90%	100%	
Recommendations Agreed	95%	100%	
Assignments completed within 10% of allocated resource)	60%	100%	Will reduce Q3
Chargeable time	80%	66%	

Recommendations implemented first time	80%	52%	
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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 33 recommendations out of 67 followed up were found to have been fully implemented (14 in line with original agreed timescales) and are now closed. 1 further recommendation was no longer listed as outstanding, as following a review of risk exposure by senior management it was deemed to be accepted until LGR, where it will no longer be relevant. There are a further 94 recommendations not due for follow up, all of which will be followed up in the next review.



4.3 The implementation of agreed actions has improved following intervention from Senior Management, but there are still incidences of managers not responding to requests for information. Internal Audit will continue to provide Senior Management with information to assist completion of outstanding actions.

6. RISKS

6.1 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.

7. CONSULTATION

7.1 not applicable

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is requested to

- i) note the progress against the audit plan for 2022/23;
- 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.

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

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 2022/23

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	July 22	N/A	
Council-Wide	MFS	Good Governance Principles / Local Code of Conduct	5	5	Final	July 22	N/A	
Human Resources	Follow-Up	Absence Management	5	1	Final	Sep 22	Reasonable	
Council-Wide	Governance	Corporate Governance Controls	5	8	Draft			
Neighbourhood Services	Directorate	Fleet Management (inc Strategy)	20	20	Draft			
Regulatory Services	Directorate	Sustainable Warmth Grant	10	10	Draft			
Health & Well-Being	Directorate	Bereavement Services	20	21	Draft			
Council-Wide	Corporate	Risk Management	15	14	Testing			
Financial Services	MFS	Car Parking Income	20	1	Scoping			
Financial Services	MFS	Treasury Management	15	0	Scoping			
Revenues and Benefits	MFS	National Non Domestic Rates	20	2	Scoping			
ICT Services	Directorate	ICT Service Provision	20	0				
Regeneration	Directorate	Town Deal - Business Assurance Framework	20	0				
Property Services	Directorate	Building Maintenance	20	0				
Financial Services	MFS	Financial Services Governance Arrangements	5	0				
Neighbourhood Services	Follow-Up	Neighbourhood Services (Culture)	5	0				
Council-Wide	Counter-Fraud	Annual fraud review	5	0				
		Follow-up contingency	30	0				

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
		Counter Fraud Contingency	20	0				
		Advice & Guidance Contingency	10	0				
		LGR Contingency	25	0				
		Audit Committee	20	3				
		Planning & Management	48	18				
		OVERALL TOTAL	404	105				

Ass Code	Audit	Directorate	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status	Review due	Comment
A1802	Smarter Service Delivery (Reasonable)	Corporate Support	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	30 September 2022 (Review date)	9	Implementation of this recommendation has been continuously delayed due to ongoing resource shortages within ICT Services. An assessment of risk exposure has been carried out and given the limited extent of personal information found to be retained it has been deemed unnecessary to utilise additional third party resource. However, there is still a need to cleanse data prior to LGR and an in-house deletion tool is being developed by ICT Services.	Q3 2022/23	No response received in current review period.
B1804	Casual, Interim & Agency (Reasonable)	Community Services	The review form should be completed for all agency workers who exceed the 12-week agency rule.	M	Incorrect practice not identified and rectified and could lead to sanctions and reputational damage to the Council.	Form developed, and process will be updated to ensure compliance. Current Agency agreement with Adecco finished 31st January 2019.	HR Manager	31 March 2019	31 July 2021	7	Working group meeting held in June 2022 to review and refresh historic actions. New long-term agency appointments are now made using the OSA form to ensure appropriate approval following input from HR and Finance. HR & Neighbourhood Services have developed shared spreadsheet of appointments for review.		
B1804	Casual, Interim & Agency (Reasonable)	Community Services	A process should be developed to ensure HR are aware of all new agency, casual and intermediary staff to ensure relevant employment checks and processes can be performed	M	There is a risk of reputational damage to the Council due to a failure to manage the contract appropriately	A new process will be implemented to ensure that the recommendations are met.	HR Manager	30 April 2019	30 September 2022 (review)	7	Working group meeting held in June 2022 to review and refresh historic actions. Shared spreadsheet in place. Awaiting confirmation from Agencies over employment checks performed.	Q3 2022/23	
B1804	Casual, Interim & Agency (Reasonable)	Community Services	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	30 September 2022 (review)	7	Working group meeting held in June 2022 to review and refresh historic actions. New long-term agency appointments are now made using the OSA form to ensure appropriate approval following input from HR and Finance. HR & Neighbourhood Services have developed shared spreadsheet of appointments for review.		
A1902	Absence Management (Partial)	Community Services	Recommendation 1 – the policy should be reviewed on a regular basis and managers should be made aware of any amendments.	M	Policy becomes outdated. Managers make poorly informed and/or inconsistent decisions.	Initial review to be carried out (see Recommendation 3). Review date to be included in new policy (suggestion likely to be every two years)	HR Manager	31 st December 2020.		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	Recommendation 2 – The current training provision should be reviewed to avoid duplication, as well as ensuring any amendment made to the policy are incorporated into future training.	M	Managers make poorly informed/inconsistent decisions due to insufficient understanding of Policy. Duplication of resource in training provision.	Training will be provided once new policy is developed and approved. Will roll out through VAR Management briefing but then look at SkillsGate modules as well as regular Managers' sessions.	HR Manager and Organisational Development Manager	31 st March 2021		1	Formal follow-up completed. Training provision still requires review. Closed as replaced.		
A1902	Absence Management (Partial)	Community Services	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 th June 2020	HR Manager	31 st December 2020		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	Recommendation 4 – Current responsibilities should be reviewed to ensure all are still appropriate and stream-lined where possible. Retained responsibilities should be documented in the policy.	M	Responsibilities not appropriately assigned or understood, resulting in inefficient processes.	As Recommendation 3 review of Policy will ensure responsibilities are reviewed and made clear in the policy document.	HR Manager	31 st December 2020		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	Recommendation 5 - A process should be adopted to ensure regular formal communication between responsible functions, including maintaining a list of agreed actions	M	Teams work in silos and do not maintain consistent roles and responsibilities, reducing in inefficient and inconsistent actions. Resource not focused on agreed priorities.	As Recommendation 3 review of Policy will ensure clarity of responsibility and trigger points will allow for easier monitoring and action.	HR Manager	31 st December 2020		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	Recommendation 6 – Absence information should be reported to BTSP on a more frequent (quarterly) basis when sickness levels rise above target levels. (subject to the agreement of the Chair of the Panel).	M	Management decisions not made on a timely basis.	Agreed that from January 2021 this will be in place – following review and implementation of the new Policy (subject to agreement from BTSP Chair)	HR Manager	31 st January 2021		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	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 & recording methods. Every attempt will be made to utilise our current systems and/or electronic reporting.	HR Manager	31 st December 2020		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	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 st March 2021		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	Recommendation 9 – Reference to the employee privacy statement should be included on absence management notification forms	M	Breach of data protection legislation.	Reference to be made on all forms which share personal information. Wording to be agreed between Information Governance Manager and HR Manager.	Information Governance Manager & HR Manager	31 st December 2020		1	Formal follow-up completed. Confirmed as actioned. Closed.		

A1902	Absence Management (Partial)	Community Services	Recommendation 10 – Retention periods should be reviewed to ensure they are aligned with all relevant legislation and guidance	M	Information not retained in line with guidance/legislation	Retention periods to be reviewed and agreed with Information Governance Manager and OH Provider.	HR Manager & Information Governance Manager	31 st December 2020 (could be earlier as not dependent on Policy review)		1	Formal follow-up completed. Retention schedule still requires review. Closed as replaced.		
A1902	Absence Management (Partial)	Community Services	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 to HR and Payroll and revised policy will include sections on data retention.	HR Manager	31 st December 2020 (could be earlier as not dependent on Policy review)		1	Formal follow-up completed. No assurances that only central record retained. Closed as replaced.		
A1902	Absence Management (Partial)	Community Services	Recommendation 12 – the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation	M	Third-party provider does not securely retain sensitive council information in line with legislation	The service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation.	H&S Manager and Legal	31 st December 2020 (could be earlier as not dependent on Policy review)		1	Formal follow-up completed. Confirmed as actioned. Closed.		
A1902	Absence Management (Partial)	Community Services	Recommendation 13 – all third parties handling sensitive personal absence data should be required to complete the Information Governance Manager's questionnaire.	M	Third-party provider does not securely retain sensitive council information in line with legislation	This to form part of the OH and third-party contracting processes.	H&S Manager	31 st December 2020 (could be earlier as not dependent on Policy review)		1	Formal follow-up completed. Confirmed as actioned. Closed.		
D1901	Tullie House (Reasonable)	Community Services	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	31 March 2021	4	Started, but was on hold as both organisations need to prioritise response to Covid-19 pandemic. Revised date agreed. Revised date agreed.	Q3 2022/23	No response received in current review period.
D1905	Tourist Information Services (Reasonable)	Community Services	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	5	Relevant update included as part of update to fees and charges report. Closed.		
D2002	City Centre (Reasonable)	Community Services	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	30 August 2021	5	No response to follow up request.	Q3 2022/23	No response received in current review period.
G2005	Payroll (Reasonable)	Community Services	Recommendation 1 – Review of staff procedure notes, and wider suite of policies, guidance documents and forms on the intranet to ensure alignment to financial regulations, clarify for new members of staff, and regular update.	M	Service cannot wholly demonstrate that they have interpreted and applied the financial regulations that relate to payroll. / New staff are unclear on how to run payroll at short notice. / Key forms and documents are not current.	Ensure that there are clear procedure and guidance documents for payroll staff, that align to financial regulations. Ensure that documents and forms are updated on the intranet and dated so that all staff know they are using/viewing the most update version.	HR Manager / Payroll & i-Trent Supervisor	31-Mar-22	30 September 2022	3	Review started and anticipated to be completed by end of July 2022.	Q3 2022/23	No response received in current review period.
G2005	Payroll (Reasonable)	Community Services	Recommendation 2 – Review the critical service recovery arrangements to ensure that there are fully tested and documented planning arrangements in place for all key scenarios, that can be actioned at short notice.	M	Payroll unable to be run. Comprehensive planning not in place for alternative arrangements.	Review the critical service recovery arrangements and agree on a plan and ensure it is documented.	Deputy TC & CE /HR Manager /Payroll & i-Trent Supervisor	31-Dec-21	20 September 2022	3	Relevant discussions and updates not taken place.	Q3 2022/23	No response received in current review period.
G2005	Payroll (Reasonable)	Community Services	Recommendation 6 – Personal data to be retained and disposed of for the Authority and Community Centres in line with the corporate records management policy.	M	Carlisle City Council may not comply with UK GDPR and could be subject to legal challenge.	To dispose of payroll filing in line with retention and disposal rules. Ensuring that the disposal log is updated correctly.	HR Manager / Payroll & i-Trent Supervisor	31/03/22 (depending on Covid 19 & access to the office)	30 September 2022	3	Disposal has now started and disposal log is being completed.	Q3 2022/23	No response received in current review period.
G2005	Payroll (Reasonable)	Community Services	Recommendation 7 – Management to keep a record of the availability of software releases and document the reasons if IT rent is not updated with a release.	M	Reasons for not updating IT rent available software releases not fully transparent.	To create and keep an update a log of i-Trent system updates.	HR Payroll & i-Trent Supervisor Manager/ Lead ICT Officer	30-Jun-21	30 September 2022	3	Review begun, but further work necessary.	Q3 2022/23	No response received in current review period.
I2002	Driver Checks (Follow Up_ Reasonable)	Community Services	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	31 July 2022	3	Driver handbook approved and available online (Via Skillgate) and within fleet vehicle. Closed.		
G2006	Housing Benefits (Reasonable)	Finance & Resources	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		4	Risk Register reviewed by Team. Latest review timely and up to date. Closed.		
G2006	Housing Benefits (Reasonable)	Finance & Resources	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		4	No response received	Q3 2022/23	No response received in current review period.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 3 – Regular Management meetings to be clearly recorded, and conclude previous actions raised.	M	management decision making process lacks transparency. / Staff are not kept regularly informed.	Regular management meetings to resume with actions to be captured and documented.	Revenues and Benefits Operations Manager	30th June 2021		4	Management Team Meetings re-instated. Closed.		
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 4 – Staff training requirements to be regularly assessed with outcomes recorded.	M	Staff are not fully trained to carry out their role.	All staff training requirements to be captured and documented.	Revenues and Benefits Operations Manager	31st January 2022		4	No response received	Q3 2022/23	No response received in current review period.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 5 - Collection and Recovery Policy to be finalised and published.	M	Service priorities are unclear to staff.	Documentation to be reviewed and formally approved for publication.	Recovery Team Leader	31st December 2021		4	No response received	Q3 2022/23	No response received in current review period.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 6 – Update the current arrangements in place with the Authority's collection agent.	M	Level of service of Collection Agent is not formally agreed and falls below expectations	Agreement to be reviewed with monitoring arrangements and information reviews to be re-instated.	Recovery Team Leader	30th September 2021		4	No response received	Q3 2022/23	No response received in current review period.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 8 - The Systems Support Team should apply the archiving tool provided to the Academy system to ensure historic records no longer required are deleted on a timely basis.	M	Authority may not be fully compliant with UK GDPR	Archiving processes to be commenced and appropriate records removed.	Systems Support and Control Manager	31st March 2022		4	No response received	Q3 2022/23	No response received in current review period.

G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 9 – Management to review access to Revenues and Benefits Office on a regular basis with the Facilities Manager.	M	Inappropriate access gained to the Revenues and Benefits Office.	Periodic access reviews to continue bi-annually and use approved reports to be retained	Revenues and Benefits Operations Manager	31st July 2021			4	Access lists reviewed on a regular basis. Closed.		
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 10 – Management to implement the RBV policy, or review and amend the policy to align with current practice.	M	Evidence gathering processes are inefficient.	Policy to be reviewed to align with operational practice, including the monitoring of risk categories assigned.	Revenues and Benefits Operations Manager	31st October 2021			4	RBV Policy reviewed and approved at March 22 Audit Committee. Closed		
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 11 – Clear recovery targets to be set for Overpayment Recovery staff in line with DWP good practice guidance.	M	Overpayment recovery is not efficient and effective	Target performance to be determined, based on previous years collection performance.	Recovery Team Leader	31st October 2021			4	No response received	Q3 2022/23	No response received in current review period.
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 1 – A review of all responsibilities for electoral services should be conducted across the Council and assurances should be obtained that arrangements are in place to cover these responsibilities (named substitutes and formal procedures). In addition, local procedural notes should be formalised and made available to all officers.	M	Lack of guidance for City Council specific tasks.	Electoral Services Officer will formalise their procedure notes and will consult Director on review of responsibilities.	Electoral Services Officer / Corporate Director Governance & Regulatory Services	30-Nov-21	30.12.22		4	Review of procedures started, but still ongoing. Review next quarter.	Q3 2022/23	
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 2 – The Electoral services team should be involved in completing and reviewing the relevant operational risk register.	M	Failure to identify and mitigate all relevant risks.	Will prepare document to be amended/updated when necessary.	Electoral Services Officer	30-Nov-21			4	First informal follow-up scheduled.	Q3 2022/23	No response received in current review period.
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 3 – Risk registers for individual elections should be presented to Senior Management to provide assurances that appropriate actions are in place to manage risk.	M	Failure to identify and mitigate all relevant risks.	Will prepare a risk register and make available for SMT.	Electoral Services Officer	30-Nov-21			4	First informal follow-up scheduled.	Q3 2022/23	No response received in current review period.
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 4 – Individual election plans should include an evaluation section and further documentation should be complete such as Activity Plans and Engagement Strategies, in line with recognised best practice.	M	Failure to adhere to all relevant statutory requirements.	Add this to the planner already used in Electoral Services, however time constraints in the weeks leading up to an election may limit the content.	Electoral Services Officer	30-Nov-21			4	First informal follow-up scheduled.	Q3 2022/23	No response received in current review period.
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 5 – A formal agreement should be put in place between the authority and printing service that specifies how data protection legislation is adhered to	M	Breach or loss of sensitive personal information.	Consult with Information Governance Manager on wording and send document to SciPrint.	Electoral Services Officer	30-Nov-21			4	Suitable agreement now in place. Closed.		
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 6 – The Electoral Services privacy statement should be updated to include reference to the National Fraud Initiative.	M	Breach of data protection legislation through failing to adequately notify individuals on how data will be processed.	Consult with Information Governance Manager and put in place.	Electoral Services Officer	30-Nov-21			4	First informal follow-up scheduled.	Q3 2022/23	No response received in current review period.
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 7 – The Council should ensure the Electoral Registration Officer has a separate registration with the ICO.	M	Breach of data protection legislation.	Consult with Information Governance Manager and put in place.	Electoral Services Officer	30-Nov-21			4	Separate registration now in place. Closed.		
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 8 – A disposal log should be retained by the service	M	Breach of data protection legislation.	Consult with SST.	Electoral Services Officer	30-Nov-21			4	Retention and disposal log now in place. Closed.		
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 9 – Individuals accessing the electoral register should be required to sign an appropriate declaration (including provision of their name and address).	M	Breach or loss of sensitive personal information.	Consult with Customer Services and prepare suitable declaration form.	Electoral Services Officer	30-Nov-21			4	Form now in place. Closed.		
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 10 – A Memorandum of Understanding should be in place between the Council and the DWP stating how and why sensitive personal information in the electoral register is shared between both parties	M	Breach or loss of sensitive personal information.	Consult with Information Governance Manager regarding implementing this recommendation.	Electoral Services Officer	30-Nov-21			4	Date Sharing Instructions in place that includes consideration of GDPR requirements. Closed.		
E2003	Electoral Services (Reasonable)	Governance & Regulatory Services	Recommendation 11 – Regular market testing should take place to ensure value for money is achieved for the provision of temporary portacabins.	M	Value for money not achieved	Investigate costs of temporary offices prior to an election to ensure best value.	Electoral Services Officer	01-May-21			4	Market testing undertaken (though limited options identified). Closed.		
G2003	Debtors (Substantial)	Finance & Resources	Recommendation 1 – To implement an Annual Review & Sign-off by Team Leader on Debtors process to provide assurances no significant changes have taken place within the service in the past year	M	Inaccurate/inefficient/inappropriate debt recovery due to failure to adhere to agreed process	Set up a reminder to review and sign off current procedure manual annually (as documented per 5.2.1).	Financial Services Manager	30-Jun-21	02 January 1900		1	A change in personnel has led to the identification that all procedures and process notes should be moved over to a designated SharePoint site which would also allow for: easy access, modification, periodic review and sign-off. It would also provide greater resilience due to the staffing risks surrounding LGR. Progressing.	Q3 2022/23	No response received in current review period.
I2001	ICT Recommendations (N/A)	Corporate Support	Recommendation 2 – The Data Sharing Agreements should be checked to ensure compliance with GDPR and should be signed by all parties to formalise the arrangement.	H	Failure to comply with legislation / Legal complications in the event of contractual dispute.	Information Governance Manager pursuing data protection agreements between all parties. There has been a delay on progressing due to limited engagement with partnership organisations. Progress anticipated at start of 2021/22. Once an Options Appraisal is available the team will consider overall implications for the Partnership and obtain signed agreements where required.	Information Governance Manager / Revenues and Benefits Operation Manager	31-Dec-21			1	As the three Council's involved will amalgamate on 1st April 2022, Senior Management have reviewed a risk assessment and determined acceptable level of risk not to implement (cost of implementation outweighs the benefits).		
C2002	Major Funding Streams - Ec Dev (Reasonable)	Economic Development	Recommendation 5 – Review and update the project management handbook.	M	Projects do not follow best practice or achieve positive outcomes.	Review and update the project management handbook.	Project and Performance Manager in consultation with project managers.	31-Dec-21	30 June 2022		2	Initial scoping has indicated a much wider piece of work to be done on a corporate level - completion pushed back to end of Q1 22/23 to allow further discussions with other PM leads across the Council	Q3 2022/23	No response received in current review period.
C2002	Major Funding Streams - Ec Dev (Reasonable)	Economic Development	Recommendation 6 – Review the use of SharePoint Repository.	M	Project decisions delayed through availability of project documentation.	Review use of SharePoint repository. / Assign responsibility for management of repository. Regularly update major projects group on missing content.	Project and Performance Manager in consultation with service managers	31-Jul-21	30 June 2022		2	SharePoint site established with document upload in progress - repository for all project / programme information	Q3 2022/23	No response received in current review period.
D2001	Community Centres (Reasonable)	Community Services	Recommendation 2 - To develop a training program to provide updated Trustee training for elected members and appointees who have roles on the various Charitable Trust Boards	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres	Contact APSE to arrange Trustee training for elected members and appointees who have roles on Charitable Trust Boards.	Healthy City Team Manager	30/12/21	30 September 2022		3	Initial contact made with Organisational Development, but more time required to enable training to be devised and delivered.	Q3 2022/23	
D2001	Community Centres (Reasonable)	Community Services	Recommendation 3 - To seek documented internal professional advice on legislative and regulatory requirements to establish the most robust agreements for the management of these Community Centres	H	Unclear funding arrangements, and reputational risk to The Authority	Contact legal service for documented advice on the legislative and regulatory requirements of Community Centre funding agreements for 2022/23 financial year.	Healthy City Team Manager	30/01/22	30 September 2022		3	Legal advice obtained and all agreements now either finalised or in draft. Closed.		
D2001	Community Centres (Reasonable)	Community Services	Recommendation 4 – Reinstate Annual Agreements with Community Centres	H	Unclear funding arrangements, and reputational risk to The Authority	Reinstate annual agreements.	Healthy City Team Manager	01/04/22	30 September 2022		3	Majority of agreements now in place. Progress being made in finalising remaining.	Q3 2022/23	

D2001	Community Centres (Reasonable)	Community Services	Recommendation 6 – To Introduce a High Level Operational Quarterly Risk Register update and monitoring review	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres /Reputational Risk to The Authority	Introduce a high level operational quarterly risk register.	Healthy City Team Manager	30/12/21	30 September 2022	3	Evidence of recent review of relevant risks. Closed.		
D2001	Community Centres (Reasonable)	Community Services	Recommendation 7 – To ensure that updated lease agreements are put into place with appropriate maintenance and improvement criteria clauses incorporated.	M	Risk of Council Assets not being utilised and managed in an appropriate manner as set out in the SLA and funding arrangements	Work with the property team to ensure that update lease agreements are in place. /Implement monitoring of lease set out in the SLA and funding expiry dates.	Property Services Manager	01/04/22	01 July 2022	3	Tasked to Property Services who have indicated leases unlikely to be in place until Summer 2022. Work ongoing.	Q3 2022/23	
D2001	Community Centres (Reasonable)	Community Services	Recommendation 8 – To develop appropriate performance indicators for Community Centres with outcomes and monitoring reviews communicated	M	Third sector organisations do not achieve best value to The Authority	Review outcomes and monitoring reviews and implement appropriate measures that are in line with the service plan./Explore viability of aligning outcome monitoring to social determinates and health inequalities.	Healthy City Team Manager	01/04/22	30 September 2022	3	Included in new service guidance and part of new draft funding agreements. Closed		
H2101	Third Party Grant Payments VFM (Reasonable)	Community Services	Recommendation 2 – Seek documented advice on legislative and regulatory requirements.	M	Third sector funding not managed to the required standard.	Legal advice sought to be documented in service guidance	Healthy City Team Manager	30/11/21	30 September 2022	3	Agreements now in place. Closed		
H2101	Third Party Grant Payments VFM (Reasonable)	Community Services	Recommendation 3 – Reinstate annual agreements with third sector organisations.	M	Third sector organisations unclear on the best value standards to be achieved.	New grant funding agreements being drafted by Legal to be signed by all third sector organisations	Healthy City Team Manager	30/09/21	30 September 2022	3	Annual agreements now in place except one. Attempts to finalise ongoing.	Q3 2022/23	
H2101	Third Party Grant Payments VFM (Reasonable)	Community Services	Recommendation 6 – Regular monitoring of third sector organisation performance.	M	Third sector organisation does not meet the required performance standards and management unaware.	Performance of grant agreements to be monitored on a quarterly basis.	Healthy City Team Manager	09/07/21	30 September 2022	3	To be incorporated after allocation of monies on a quarterly basis. First monitoring due October 2022.	Q3 2022/23	
A2102	Environmental Strategy (Reasonable)	Community Services	Recommendation 4 – Management to pre-approve SMART criteria for LECCS actions.	M	Likelihood of successful actions without SMART criteria is significantly reduced.	Following review of action plan (Rec 1), significant actions will be pre-approved by management for SMART criteria.	Policy and Communications Manager	01 December 2021	30 September 2022	2	SMART actions now in place. Closed.		
A2102	Environmental Strategy (Reasonable)	Community Services	Recommendation 7 - Set a timetable for completion of communication and engagement planning.	M	Loss of Council reputation and partner engagement.	Finalise communication and planning alongside a new action plan (Rec.1).	Policy and Communications Manager	01 January 2022	30 September 2022	2	Communication of activities is ongoing. Delays necessary due to LGR, but combined action plan will be required.	Q3 2022/23	
G2004	Income (Reasonable)	Finance & Resources	Recommendation 2 – Arrangements, authorisation and limits for holding income within individual service areas should be formalised and documented.	M	Inadequate governance leading to non-compliance with Financial Procedure Rule requirements resulting in inconsistent practices and increased exposure to the risk of theft and fraud.	Scheme of Delegations to be updated to include arrangements, authorisation and limits for holding income.	Financial Services Manager	30-Sep-21	31 March 2022	3	Review of income collection post-pandemic found that other than car parking (established procedure) levels of banking are usually low value. However, input to be obtained from SMT regarding current delegated authority. Progressing	Q3 2022/23	No response received in current review period.
G2004	Income (Reasonable)	Finance & Resources	Recommendation 3 – PCI-DSS non-compliance should be subject to formal risk assessment activity to identify and facilitate implementation of required controls, action planning and sources of assurance (both short and long-term).	H	Failure to comply with Payment Card Industry (PCI) Security Standards leading to loss or compromised data and resulting in fines or sanctions.	A risk assessment be completed for PCI-DSS non-compliance and added to the Corporate Risk Register	Financial Services Manager / Customer Services Manager	31-Dec-21	01 June 2022		There are still significant resource issues within ICT Services and whilst the Civica upgrade, patching and move to the Opayo Gateway has been successfully, tested and implemented as has the new Telephony System, the full rollout of PCI-DSS has not been possible. The immediate risk has been addressed and call recording is paused for assisted payments but there is still a need to complete a formal risk assessment between Finance, ICT and Customer Services	Q3 2022/23	No response received in current review period.
B2106	Workforce Development (Reasonable)	Community Services	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.	The TB is back up and running on a regular basis and the minutes will record a)How often the Workforce Development plan will be reviewed b) That a full review of the Workforce Development action plan has taken place. The WFD plan has supported delivery of several of 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.	Chief Executive / Workforce Development Manager	01 January 2022		1	Report to Transformation group and SMT (April2022) to close down the WFD Plan, with actions completed to date. Forward progression to focus on LGR.		
B2106	Workforce Development (Reasonable)	Community Services	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	01 February 2022		1	Retention and disposal record now in place. Closed.		
B2106	Workforce Development (Reasonable)	Community Services	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		1	Plan closed. Closed.		
B2106	Workforce Development (Reasonable)	Community Services	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 ad-hoc 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	01 January 2022		1	Progress reports delivered until closure of plan. Closed.		

Recommendation evidenced as actioned (Closed)
Recommendations evidenced as part actioned and replaced by new recommendation (Closed)
Recommendation no longer relevant due to change in circumstances (Closed)
Rec will not be implemented by Carlisle City Council. #Move to schedule of recommendations to be considered during transition.
Formal Audit follow up scheduled
Management Statement scheduled to request evidence of implementation
Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
Follow up scheduled for recommendation previously identified as unactioned
Recommendation reviewed and not confirmed as actioned (no response/revised timescales have passed)



Carlisle City Council

Report to Audit Committee

Item
A.2(i)

Report details

Meeting Date:	28 September 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Absence Management (Follow-up)
Report of:	Corporate Director Finance & Resources
Report Number:	RD34/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the follow-up review of Absence Management.

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. A follow-up audit of Absence Management was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The original audit was reported in September 2020, giving partial assurances and 13 recommendations (4 high-graded). The follow-up review performed in 2021/22 (Appendix A) indicates suitable progress was made in this area and provides reasonable assurances and includes 3 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 –Absence Management (Follow-up)– 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 follow up of Absence Management

Draft Report Issued: 29TH June 2022

Director Draft Issued: 5th July 2022

Final Report Issued: 12th July 2022



Audit Report Distribution

Client Lead:	HR Manager
Chief Officer:	Deputy Chief Executive
Others:	Chief Executive Head of Workforce Development HR Adviser (Career Grade)
Audit Committee	The Audit Committee, which is due to be held on 28 th September 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 a follow up audit of Absence Management. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. The original audit was carried out in September 2020, resulting in a conclusion of partial assurance and 13 recommendations (4 high). A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (Appendix A). This follow-up report provides an update on progress made against this action plan.

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.
- 2.3 The Client Lead was asked to provide an update on progress made implementing the agreed actions. Internal Audit then undertook testing as necessary to confirm that actions have been fully implemented and that controls are working as intended to mitigate risk

Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:
 - That absence management is ineffective, resulting in increased sickness negatively impacting on service delivery, finance, reputation and staff morale
 - Data used for absence reporting is inaccurate, resulting in poor decision-making
 - Loss or breach of sensitive information, resulting in non-compliance with GDPR (attracting investigation and fines)
 - Absence recording process is inefficient, resulting in poor value for money.
- 2.5 It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.6 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 D** for definitions).

3.2 Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.

3.3 From the areas examined and tested as part of this follow up review we consider the current controls operating within Absence Management provide **reasonable assurance** (revised from 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 E**.

4.2 The previous audit included 12 recommendations (See Appendix A) of which:

- 10 agreed actions have been successfully implemented.
- 3 agreed actions have not been implemented.

4.3 Audit recommendations arising from this audit review are summarised below:

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

4.4 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix B. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix C for management information.

4.5 **Findings Summary:**

Good progress has been made towards further developing a robust and effective absence management process.

A Task and Finish Group was established as planned and a review of absence management undertaken.

The Improving Attendance Policy has been updated with further regular reviews planned. Template forms have also been revised and updated.

Assigned responsibilities and absence trigger points have been clarified.

Absence information is reported to Scrutiny on a quarterly basis.

The Physiotherapy service level agreement has been updated and includes reference to data protection legislation.

Information Governance Manager's questionnaire's now form part of the Occupational Health and third-party contracting processes.

Introducing proportionate oversight arrangements will help to ensure policy adherence and further inform training requirements.

Proportionate training will improve policy adherence and ensure effective use of HR Officer's time.

Document retention periods have been reviewed and agreed. Further work is planned to demonstrate that all items are disposed of in line with the retention schedule.

Periodic service manager reminders will increase the likelihood that personal information relating to absence management is not retained locally.

Further advice from the Council's Data Protection Officer will clarify which forms should include reference to the Council's employee privacy statement.

Comment from the Deputy Chief Executive:

This follow up review of Absence Management is welcomed and the 3 medium recommendations have been acknowledged and will be addressed. The two advisory comments are also noted. It is good to note the progress made since the last review and the hard work of our HR Team – well done.

5.0 Audit Findings & Recommendations

5.1 Recommendation 1 – Policy review

- 5.1.1 It was previously recommended that the policy should be reviewed on a regular basis and managers should be made aware of any amendments. The agreed management action stated that there would be an initial review with a further review date to be included in the new policy.
- 5.1.2 The revised Improving Attendance Policy details that the policy was approved and implemented in September 2021. Further Policy reviews are planned every 3 years (though this will be superseded by LGR).
- 5.1.3 A sample of ten absences were reviewed and policy adherence was found to be mixed, although this is likely to improve following roll-out of training. For example, non-compliance identified includes outcome letter following absence support meeting not sent to HR and old proforma used for return-to-work interview. It is advised that proportionate oversight arrangements are introduced to verify policy adherence and to further inform training requirements.

5.2 Recommendation 2 – Training provision

- 5.2.1 It was previously recommended that the current training provision should be reviewed to avoid duplication, as well as ensuring any amendments made to the policy are incorporated into future training. The agreed management action stated that training is to be provided once the new policy is developed and approved. The training will be rolled out through management briefing followed by Skill Gate modules, as well as regular Managers' sessions.
- 5.2.2 Training for managers is under development and consists of two elements: Skill Gate online training and quarterly group training.
- 5.2.3 Management briefing notes provided reference to the new Improving Attendance Policy although reference to rollout of training is not explicit.
- 5.2.4 Given the impending Local Government Reorganisation, it is recommended that training methods are both proportionate and effective use of HR Officers' time.

Recommendation 1 – Training methods to be proportionate and effective use of HR Officers' time.

5.3 Recommendation 3 – Consistent and fair Policy approach

- 5.3.1** It was previously recommended that 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. The agreed management action stated that a task and finish group has been established, made up of members and HR. The first virtual meeting was scheduled w/c 15th June 2020.
- 5.3.2** Documents provided confirmed that a Task and Finish Group, made up of Members and HR was established as planned.

5.4 Recommendation 4 – Appropriate and stream-lined responsibilities

- 5.4.1** It was previously recommended that the current responsibilities should be reviewed to ensure all are still appropriate and stream-lined where possible. Retained responsibilities should be documented in the policy. The agreed management action stated that as per recommendation 3, the policy review will ensure responsibilities are reviewed and made clear in the policy document.
- 5.4.2** The revised Improving Attendance Policy includes clear responsibilities for Employees, Managers, Directors, HR and Payroll. All Officers are informed of their responsibilities as part of the employee induction checklist requirements.

5.5 Recommendation 5 – Regular, formal communication

- 5.5.1** It was previously recommended that a process should be adopted to ensure regular formal communication between responsible functions, including maintaining a list of agreed actions. The agreed management action stated that as per recommendation 3, the policy review will ensure clarity of responsibility and trigger points will allow for easier monitoring and action.
- 5.5.2** The Improving Attendance Policy has a section entitled 'Sickness absence Triggers'. Support meeting and document requirements are detailed where there is absence on more than one occasion or over a specified number of days within a twelve-month rolling period.

5.6 Recommendation 6 – Absence management reporting

- 5.6.1** It was previously recommended that absence information should be reported to Scrutiny on a more frequent (quarterly) basis when sickness levels rise above target levels (subject to the agreement of the panel Chair). The agreed management action stated that from January 2021 this will be in place – following review and implementation of the new Policy.
- 5.6.2** Absence information is now reported to Scrutiny on a quarterly basis, following review and implementation of the new Policy.

5.7 Recommendation 7 – Revision of template forms

- 5.7.1** It was previously recommended that template forms should be revised and consideration should be given to developing a more intuitive electronic process. The agreed management action stated that as per recommendation 3, review of the Policy will ensure new and easier forms & recoding methods. Every attempt will be made to utilise current systems and/ or electronic reporting.
- 5.7.2** The Improving Attendance Managers Toolkit which includes a significant number of template forms, was found to be revised, updated and aligned to the Improving Attendance Policy.

5.8 Recommendation 8 – Consistent approach to managing individuals

- 5.8.1** It was previously recommended that 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. The agreed management action stated that as per recommendation 4, review of the Policy will ensure new and easier triggers and the Policy should limit and ambiguity.
- 5.8.2** The Improving Attendance Policy was reviewed and updated triggers were found to reduce ambiguity.

5.9 Recommendation 9 – Reference to employee privacy statement

- 5.9.1** It was previously recommended that reference to the employee privacy statement should be included on absence management notification forms. The agreed management action stated that reference is to be made on all forms which share personal information. Wording is to be agreed between the Information Governance Manager and the HR manager.
- 5.9.2** Forms were found to not include reference to the employee privacy statement. It is advised that management seek further advice from the Council's Data Protection Officer over which forms should include reference to the employee privacy statement.

5.10 Recommendation 10 – Review of retention periods

- 5.10.1** It was previously recommended that retention periods should be reviewed to ensure they are aligned with all relevant legislation and guidance. The agreed management action stated that retention periods will be reviewed and agreed with the Information Governance Manager and Occupational Health Provider.
- 5.10.2** Retention periods have now been reviewed and agreed. Although good progress is being made, further work is required to demonstrate that all items are disposed of in line with the retention schedule.

Recommendation 2 – Management to regularly document confirmation of document disposal in line with the retention schedule.

5.11 Recommendation 11 – Information retained in one location

- 5.11.1** It was previously recommended that 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. The agreed management action stated that 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.

5.11.2 It has not been possible to verify that there is a process to ensure absence management is only retained by HR and not duplicated in service areas.

Recommendation 3 – HR to periodically remind services that no personal information relating to absence management should be retained locally.

5.12 Recommendation 12 – Service Level Agreement update

5.12.1 It was previously recommended that the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation. The agreed management action stated that the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation.

5.12.2 The service level agreement was updated to include reference to data protection legislation and agreed in May 2020.

5.13 Recommendation 13 – Information Governance Manager's questionnaire

5.13.1 It was previously recommended that all third parties handling sensitive personal absence data should be required to complete the Information Governance Manager's questionnaire. The agreed management action stated that this will form part of the Occupational Health and third-party contracting processes.

5.13.2 Evidence was provided to verify that Information Governance Manager's questionnaires now form part of the contracting processes.

Appendix A – Original Management Action Plan

Summary of Recommendations and agreed actions (IT General Controls)						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 1 – the policy should be reviewed on a regular basis and managers should be made aware of any amendments.	M	Policy becomes outdated. Managers make poorly informed and/or inconsistent decisions.	Initial review to be carried out (see Recommendation 3). Review date to be included in new policy (suggestion likely to be every two years)	HR Manager	31 st December 2020.	Y
Recommendation 2 – The current training provision should be reviewed to avoid duplication, as well as ensuring any amendments made to the policy are incorporated into future training.	M	Managers make poorly informed/inconsistent decisions due to insufficient understanding of Policy. Duplication of resource in training provision.	Training will be provided once new policy is developed and approved. Will roll out through VAR Management briefing but then look at Skill Gate modules as well as regular Managers' sessions.	HR Manager and Organisational Development Manager	31 st March 2021	N
Recommendation 3 – the policy should be revised to ensure it can deliver a consistent and fair approach, including	H	Inconsistent approach results in failure to manage absences and also potential disciplinary action	Task and finish group has been established made up of members and HR to review.	HR Manager	31 st December 2020.	Y

incorporation of actions to address the issues identified within this audit.		and employment tribunals.	First virtual meeting scheduled w/c 15 th June 2020			
Recommendation 4 – Current responsibilities should be reviewed to ensure all are still appropriate and streamlined where possible. Retained responsibilities should be documented in the policy.	M	Responsibilities not appropriately assigned or understood, resulting in inefficient processes.	As Recommendation 3 review of Policy will ensure responsibilities are reviewed and made clear in the policy document.	HR Manager	31 st December 2020.	Y
Recommendation 5 - A process should be adopted to ensure regular formal communication between responsible functions, including maintaining a list of agreed actions	M	Teams work in silos and do not maintain consistent roles and responsibilities, reducing in inefficient and inconsistent actions. Resource not focused on agreed priorities.	As Recommendation 3 review of Policy will ensure clarity of responsibility and trigger points will allow for easier monitoring and action.	HR Manager	31 st December 2020.	Y

Recommendation 6 – Absence information should be reported to BTSP on a more frequent (quarterly) basis when sickness levels rise above target levels. (subject to the agreement of the Chair of the Panel).	M	Management decisions not made on a timely basis.	Agreed that from January 2021 this will be in place – following review and implementation of the new Policy (subject to agreement from BTSP Chair)	HR Manager	31st January 2021	Y
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 st December 2020.	Y

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 st March 2021	Y
Recommendation 9 – Reference to the employee privacy statement should be included on absence management notification forms	M	Breach of data protection legislation.	Reference to be made on all forms which share personal information. Wording to be agreed between Information Governance Manager and HR Manager.	Information Governance Manager & HR Manager	31 st December 2020.	Y
Recommendation 10– Retention periods should be reviewed to ensure they are aligned with all relevant legislation and guidance	M	Information not retained in line with guidance/legislation	Retention periods to be reviewed and agreed with Information Governance Manager and OH Provider.	HR Manager & Information Governance Manager	31 st December 2020 (could be earlier as not dependent on Policy review)	N
Recommendation 11 – A process for ensuring absence information is	H	Increased risk of data breaches, resulting in non-compliance of	HR and Payroll are moving to electronic only records. All referrals and absence related data should only be	HR Manager	31 st December 2020 (could be earlier as not	N

retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired.		data protection legislation. Wasted resource used to store duplicate records.	kept by HR and Payroll and revised policy will include sections on data retention.		dependent on Policy review)	
Recommendation 12 – the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation	M	Third-party provider does not securely retain sensitive council information in line with legislation	The service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation.	H&S Manager and Legal	31 st December 2020 (could be earlier as not dependent on Policy review)	Y
Recommendation 13 – all third parties handling sensitive personal absence data should be required to complete the Information Governance Manager's questionnaire.	M	Third-party provider does not securely retain sensitive council information in line with legislation	This to form part of the OH and third-party contracting processes.	H&S Manager	31 st December 2020 (could be earlier as not dependent on Policy review)	Y

Appendix B – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Training methods to be proportionate and effective use of HR Officers' time.	M	Improving attendance policy is not being followed because service managers have not received satisfactory training.	Training delivery methods will be reviewed and agreed in conjunction with the Head of Workforce Development to ensure the delivery methods are proportionate taking account of modern delivery methods and the transition to the new authority and likely new absence management policy / procedures.	HR Manager / Head of Workforce Development	31/08/2022
Recommendation 2 – Management to regularly document confirmation of document disposal in line with the retention schedule.	M	Breach of UK GDPR and possibility of sanctions.	HR are in the process of reviewing data held and managing and disposing of data in accordance with the retention schedule. This is a medium-term project underpinned by the requirements of the pending TUPE transfer	HR Manager	31/01/2023
Recommendation 3 – HR to periodically remind services that no personal information relating to absence management should be retained locally.	M	Breach of UK GDPR and possibility of sanctions.	HR has added this requirement to the list of regular reminders to managers which are sent quarterly.	HR Manager	31/07/2023 and quarterly thereafter.

Appendix C – Advisory Comments

Ref	Advisory Comment
5.1.3	Proportionate oversight arrangements will verify policy adherence and further inform training requirements.
5.9.2	Further advice to be sought from the Council's Data Protection Officer over which forms should include reference to the employee privacy statement.

Appendix D - Audit Assurance Opinions

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

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

Appendix E

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 used; high and medium, the definitions of which are explained below.

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

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

Report to Audit Committee

Agenda
Item:
**Item
A.3**

Meeting Date: 28 September 2022
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and
Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2022
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 33/22

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:	30 August 2022
Audit Committee:	28 September 2022
Council:	Not applicable



Carlisle City Council

Report to Executive

Report details

Meeting Date:	30 August 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	No
Policy and Budget Framework	Yes
Public / Private	Public
Title:	TREASURY MANAGEMENT: APRIL TO JUNE 2022
Report of	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number	RD 33/22

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

Members are requested to note

- (i) That this report be received, and the Prudential Indicators noted as at the end of June 2022.

Tracking

Executive:	30 August 2022
Audit Committee:	28 September 2022
Council:	Not applicable

1. Background

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 April–June 2022

- Appendix A1 – Treasury Transactions April to June 2022
- Appendix A2 – Investment Transactions April to June 2022
- Appendix A3 – Outstanding Investments at June 2022

(ii) Appendix B discusses the Prudential Code and Prudential Indicators for 2022/23

- Appendix B1 – Prudential Code background
- Appendix B2 – Prudential Indicators

2. Risks

2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

3. Consultation

3.1 Audit Committee will consider the report on 28 September 2022.

4. Conclusion and Reasons for Recommendations

4.1 That this report is received, and the Prudential Indicators noted as at the end of June 2022.

5. Contribution to the Carlisle Plan Priorities

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

Contact Officer: Emma Gillespie

Ext: 7289

Appendices attached to report: Appendix A1 – Treasury Transactions

Appendix A2 – Investment Transactions

Appendix A3 – Outstanding Investments

Appendix B1 – Prudential Code background

Appendix B2 – Prudential Indicators

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

- **None**

Corporate Implications

Legal – Treasury Management activities are delegated to the Corporate Director of Finance and Resources and Financial Procedure Rule 3.19 requires that she prepare an annual report on the topic. This Report fulfils that obligation.

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
APRIL to JUNE 2022

1. LOANS (DEBT)

1.1 Transactions April to June 2022

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

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report.

1.2 Loans (Debt) Outstanding at end of June 2022

	£
PWLB	12,812,500
Short Term Loans	12,800
	12,825,300

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end June 2022	475,000	0	12,800	487,800

2. INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	12,050,000	0.51-2.05	8,290,000	0.51-0.81
	12,050,000		8,290,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2022. The weighted average return achieved on all investments as at the end of June was 1.42%. Bank base rate stood at 1.25% on the final day this report covered.

3. REVENUES COLLECTED

To: June 2022		Collected £	% of Amount Collectable %
2022/23	Council Tax NNDR	21,209,673 13,567,381	28.97 31.76
Total		34,777,053	30.00
2021/22	Council Tax NNDR	20,326,669 8,764,152	28.88 32.61
Total		29,090,821	29.61
2020/21	Council Tax NNDR	18,885,338 6,493,519	28.22 28.27
Total		25,378,857	28.23

4. BANK BALANCE

At end of June 2022, £227,423 in hand.

This is the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET
TO END OF JUNE 2022
 April – June 2022

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(50)	(70)	(20)
Interest Payable	193	0	(193)
Less Rechargeable	0	0	0
	193	0	(193)
Principal Repaid (MRP)	268	68	(200)
Debt Management	12	13	1
NET BALANCE	423	11	(412)

The profiled budget is to the end of June 2022.

Interest receivable is in line with current budget expectations.

The dividends received from the property fund have maintained an income of approximately £32,000 per quarter. The yield to the end of June was 3.09%. The valuation of the investment at the end of June was £4,068,820.

Interest payable is currently below budget due to no new borrowing entered into yet.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2022

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
Federated Investors	4,000,000.00		Standard Chartered	1,000,000.00
Standard Chartered	1,000,000.00		HSBC	1,350,000.00
Standard Chartered	1,000,000.00		Standard Chartered	1,000,000.00
HSBC	1,350,000.00		HSBC	3,940,000.00
Standard Chartered	1,000,000.00		Standard Chartered	1,000,000.00
HSBC	3,700,000.00			
TOTAL	12,050,000			8,290,000
			Bfwd	25,866,729
			Paid	12,050,000
			Repaid	8,290,000
			Total	29,626,729
			CCLA	202,091
			Total	29,828,820

Outstanding Investments as at 30 June 2022

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors (UK)	4,000,000	1.12%		MMF		
O	HSBC UK Bank Plc (RFB)	4,760,000	1.00%		Call1		
R	Standard Chartered Bank	1,000,000	1.23%	30/03/2022	29/07/2022	121	4,078
O	HSBC UK Bank Plc (RFB)	5,000,000	1.16%		Call31		
R	Standard Chartered Bank	1,000,000	1.35%	30/03/2022	26/08/2022	149	5,511
R	Standard Chartered Bank	1,000,000	1.48%	29/04/2022	28/10/2022	182	7,380
R	Standard Chartered Bank	1,000,000	1.59%	27/05/2022	25/11/2022	182	7,928
R	Standard Chartered Bank	1,000,000	2.05%	24/06/2022	22/12/2022	181	10,166
R	Santander UK PLC	7,000,000	1.01%		Call180		
Total Investments		£25,760,000	1.14%			163	£35,062

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Initial Market Value (£)	Unrealised Growth (£)	% Growth
CCLA Property Fund	4,068,820	3.09%	31/07/2014	3,000,000	2,836,896	1,068,820	35.6%

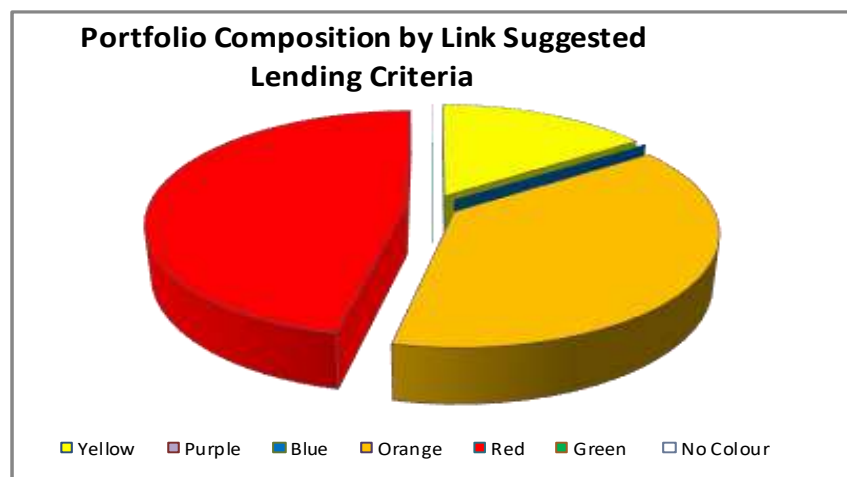
1. Entry Costs were charged against Treasury Management Budget in 2014/15

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

Investment Summary

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	Weighted Average Rate of Return WARoR	Weighted Average Days to Maturity WAM	Weighted Average Days to Maturity from Execution WAM at Execution
Yellow	15.53%	4,000,000	100.00%	4,000,000	15.53%	1.12%	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	37.89%	9,760,000	100.00%	9,760,000	37.89%	1.08%	16	16
Red	46.58%	12,000,000	58.33%	7,000,000	27.17%	1.23%	149	173
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.00%	25,760,000	80.59%	20,760,000	80.59%	1.14%	76	87

	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



Risk Score for Colour (1 = Low, 7 = High)	Jun-22	Mar-22	Dec-21	Sep-21
1	0.16	0.0	0.1	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	1.5	1.8	1.5	1.7
5	2.3	2.7	2.4	2.8
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	4.0	4.5	4.0	4.5

Normal' Risk Score	3.5	3.5	3.5	3.5
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THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision-making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the 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 2022/23 to date as detailed in the Treasury Management Strategy Statement for 2022/23.

(a) Affordability

	2022/23 Original Estimate £	2022/23 Current £
(i) Capital Expenditure	36,074,100	45,526,000
(ii) Financing Costs		
Total Financing Costs	1,049,900	(2,261)
(iii) Net Revenue Stream		
Funding from Govt Grants/Local Taxpayers	14,309,000	14,309,000
(iv) Ratio of Financing Costs to Net Revenue Stream	7.34%	(0.02%)
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.		
(v) Incremental Impact on Council Tax	8.85	8.85
This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.		
(vi) Authorised Borrowing Limit	52,100,000	52,100,000
Maximum Level of Borrowing and Other Long term Liabilities	41,106,000	41,106,000
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.		

	2022/23 Original Estimate £	2022/23 Current £
(vii) Operational Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	47,100,000	47,100,000
	41,106,000	41,106,000
(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	50,878,000	50,878,000

(b) Prudence and Sustainability

	2022/23 Original £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2022/23 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at June 2022	100%
(iii) Percentage of Variable Rate Long Term Borrowing at June 2022 Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	0%
(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at June 2022 As part of the Investment Strategy for 2022/23, 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%

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 30 AUGUST 2022

EX.113/22 TREASURY MANAGEMENT - APRIL TO JUNE 2022

(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel People Panel

Subject Matter

The Leader presented report RD.33/22, the purpose of which was to inform Members on various Treasury Management issues.

Appendix A set out the Schedule of Treasury Transactions for the period April - June 2022, whilst Appendix B discussed the Prudential Code and Prudential Indicators.

The Leader moved, and the Economy, Enterprise and Housing Portfolio Holder seconded, that the Executive receive the report and note the Prudential Indicators as at the end of June 2022.

Summary of options rejected None

DECISION

That Report RD.33/22 be received, and the Prudential Indicators noted as at the end of June 2022.

Reasons for Decision

To inform the Executive of various Treasury Management issues

Carlisle City Council

Report to Audit Committee

Item
A.4

Report details

Meeting Date:	28 September 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not Applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Treasury Management Practices (TMPs)
Report of:	Corporate Director of Finance and Resources
Report Number:	RD37/22

Purpose / Summary:

This report provides the Audit Committee with the updated Treasury Management Practices following changes made to the Treasury Management Code of Practice and the Prudential Code.

Recommendations:

The Audit Committee is asked to note the update to the Treasury Management Practices used by the Council.

Tracking

Audit Committee:	28 September 2022
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1. Background

- 1.1. In the light of the recent changes made to the Treasury Management Code of Practice and the Prudential Code (early 2022), the Treasury Management Practices (TMPs) have been updated to reflect the current requirements. The TMPs are used as an internal operational document that sets out the Councils approach to treasury management activities and how it will manage the governance and operations of Treasury Management.
- 1.2 CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations or other formal policy documents appropriate to their circumstances, the following four clauses from the Treasury Management Code of Practice.
 - 1 This organisation will create and maintain, as the cornerstones for effective treasury and investment management:
 - a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
 - investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the TM Code's key principles.

- 2 This organisation (i.e. full council) will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.
- 3 This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Executive, and for the execution and administration of treasury management decisions to the Corporate Director of Finance and Resources, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.

4 This organisation nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

1.3 Therefore, the Audit Committee is being assured that the changes have been made to the TMPs to ensure they are in line with the relevant codes of practice and are relevant for the Council in terms of operational capacity. The updated TMPs are attached at **Appendix A**.

1.4 The main changes to the TMPs are as follows:

1.1.2 – paragraph added on Policy on the environmental, social and governance considerations

1.2 – Liquidity Risk Management – third bullet point added for ensuring an adequate level of short-term investments to provide liquidity for the organisation

1.5 - Paragraph added on inflation risk management

1.6.3 – enhanced paragraph on risks and rewards of significant investments and annual review of commercial investments (where appropriate)

1.7.1 – Updated references to relevant statutes and regulations

2.1.3 – Updated list of what reports are to include

3.1.3.2 – Updated list of considerations around borrowing and other funding decisions

8.1 – paragraph included on debt liability benchmark prudential indicator

10 – More detail on training, experience and qualifications of those involved in Treasury Management matters

2. Consultation

2.1 None

3. Conclusion and reasons for recommendations

3.1 The Audit Committee is asked to note the update to the Treasury Management Practices used by the Council.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

Appendix A – Updated Treasury Management Practices.

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 - Financial Procedure Rule 3.14 states that the Council has adopted CIPFA's Code of Practice for Treasury Management. No change is required to the FPR and accordingly it falls to Audit Committee to note the changes.

Property Services - none

Finance - Contained within the report

Equality - None

Information Governance – None

Treasury Management Practices

2022/23

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TMP1 RISK MANAGEMENT

The Corporate Director of Finance & Resources will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the council's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements** and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in **TMP4 Approved Instruments Methods And Techniques** and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from the following rating agencies – Fitch and Moodys
3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
4. The Corporate Director of Finance & Resources will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

Minimum ratings	Fitch	Moody's
Short term	F1	P1
Long term	A	A2

5. Credit ratings for individual counterparties can change at any time. The Head of Financial Services is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
6. The Council will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
 - The quality financial press
 - Market data
 - Information on government support for banks
 - The credit ratings of that government support
7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows: -

Organisation	Criteria	Max Amount	Max Period
Deposit with Banks and Building Societies (UK)	Minimum F1, or P1 short term backed up by A2 or A long term credit rating	£10m	3 Years
Deposit with Banks and Building Societies (overseas)	Sovereign Rating AAA, Minimum F1, or P1 short term backed up by A2 or A long term credit rating	£4m	3 Years
UK Local Authorities		£4m	3 Years
Money Market Funds	AAA long-term rating backed up with lowest volatility rating (MR1+)	£4m	1 year
Institutions which are not credit rated	Building Societies with assets in excess of £1bn	£2m	1 year
Property Funds	CCLA Property Fund	50% of total investments	No Maximum

8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
 - Maximum amount to be placed with any one institution - £10m
 - Group limits where a number of institutions are under one ownership – maximum of £10m

1.1.2 Policy on the environmental, social and governance considerations

The Council's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the following reasons:

- To fund the current capital programme
- To finance future debt maturities, or
- To ensure an adequate level of short-term investments to provide liquidity for the organisation

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

1.2.2. Details of:

- a. Bank overdraft arrangements
A £100 overdraft at 2.5% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.
- b. Short-term borrowing facilities
The Council accesses temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £52.1m.
- c. Insurance/guarantee facilities
The Authority has a Fidelity Guarantee policy with Zurich Municipal Insurance. This provides cover to the value of £10,000,000, for designated officers, which includes all those involved in the treasury function. Cover of £1,000,000 applies to all other officers.
- d. Special payments
Any one-off payments to be made above £100,000 should be notified to the Treasury Management section at least 3 days before the transaction is required in order that Cash-flow can be secured.

1.3 Interest Rate Risk Management

This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with **TMP6 Reporting requirements** and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The average yield on investments is monitored on a weekly basis and is used to project expected returns against budgets. Any deviation from the budget is reported to the Council's Executive.

Budgets are reviewed annually and will take account of future interest forecasts provided by the Council's Treasury Management advisors.

Upper limit for fixed interest rate exposure will be 100%

Upper limit for variable interest rate exposure will be 100%

1.3.2 Policies concerning the use of instruments for interest rate management.

- a. Forward dealing
Consideration will be given to dealing from forward periods dependent upon market conditions. When forward dealing is more than 12 months forward then the approval of the Executive is required.
- b. Callable deposits (England and Wales only)
The Council will use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments appended to the AIS.
- c. LOBOS (borrowing under lender's option/borrower's option)
Use of LOBOs are not considered as part of the annual borrowing strategy. All borrowing for periods more than 364 days must be approved by Council.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

It will manage its exposure to fluctuations in exchange rates to minimise any detrimental impact on its budgeted income/expenditure levels.

1.4.1 Approved criteria for managing changes in exchange rate levels

At this time the Council does not get involved in any significant foreign currency transactions. These are limited to a small number of invoice payments and receipts.

1.5 Inflation Risk Management

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole Council's inflation exposures.

1.6 Refinancing Risk Management

The risk that maturing borrowings, capital, project, or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

The Council will ensure that its borrowing, private financing, and partnership arrangements are negotiated, structured, and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

1.6.1 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk.
- b) to reduce the average interest rate.
- c) to amend the maturity profile and /or the balance of volatility of the debt portfolio

Rescheduling will be reported to the Council at the meeting immediately following its action / in the annual Review Report.

1.6.2 Projected Capital Investment Requirements

The Corporate Director of Finance & Resources will prepare a five-year plan for capital expenditure for the Council. The capital plan will be used to prepare a five-year revenue budget for all forms of financing charges.

Under the capital financing system, the definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practice.

1.6.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax.

It will also consider affordability in the longer term beyond this three-year period and assess the risks and rewards of significant investments to ensure the long-term financial sustainability of the authority. (CIPFA has not defined what longer term means but it is likely to infer 20-30 years in line with the financing time horizon and the expected life of the assets, while medium term financial planning, at a higher level of detail, is probably aimed at around a 10-year time frame and to focus on affordability.)

The Council will also undertake an annual review of commercial, (debt for yield), investments (where held) with a view to divest, where appropriate, to avoid or minimise additional external borrowing.

The Council will use the definitions provided in the Prudential Code for borrowing, capital expenditure, capital financing requirement, debt, financing costs, investments, net borrowing, net revenue stream, other long-term liabilities.

1.7 Legal and Regulatory Risk Management

This is the risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

The Council will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under **TMP1[1] credit and counterparty risk management**, it will ensure that there is

evidence of counterparties' powers, authority, and compliance in respect of the transactions they may affect with the organisation, particularly regarding duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.7.1 References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice, and the regulations of the Council. These are:

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012

- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- *There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016*
- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019
- S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

Guidance and codes of practice

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021
- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Code (issued by the Bank of England – it was formerly known as the Code of Market Conduct issued by the Financial Conduct Authority.)
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.7.2 Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch and Moody's.

1.7.3 Statement on the Council's Political Risks and Management of Same

The Corporate Director of Finance & Resources shall take appropriate action with the Council, the Chief Executive, and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.7.4 Monitoring Officer

The monitoring officer is the Corporate Director of Governance & Regulatory Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.7.5 Chief Financial Officer

The Chief Financial Officer is the Corporate Director of Finance & Resources; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if they have concerns as to the financial prudence of its actions or its expected financial position.

1.8 Operational risk, including, fraud, error, and corruption

This is the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.2 Details of Systems and Procedures to be Followed, Including Internet Services Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Council's Financial Regulations.

Procedures

- Procedures are in place for all treasury transactions and detailed procedures are shown at appendix 1.

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the Accountancy Treasury Management folder.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Head of Financial Services for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Head of Financial Services for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The Treasury Management Cash Flow Spreadsheet prompts the Technical Finance Officer that money borrowed, or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution (see 1.1.1) that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The Treasury Management Cash flow spreadsheet can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out daily from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced every month when a review is undertaken against the budget for interest earnings and debt costs.

Emergency and Contingency Planning Arrangements / Disaster Recovery Plan

- In the event of the offices usually used for Treasury Management purposes being out of action, alternative arrangements are in place in the Business Continuity Plan to relocate the service to Morton Community Centre within 1 day of any event.
- All Treasury functions including access on online banking can be accessed by officers through home working arrangements

All computer files are backed up on the server to enable files to be accessed from remote sites.

1.7.3 Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal Insurance. This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £10m for nominated officers.

Professional Indemnity Insurance

The Council also has a 'Professional Indemnity' insurance policy with Zurich Municipal Insurance which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event with an excess of £5,000 for any one event.

Business Interruption

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal Insurance

1.8 Price Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

1.8.1 Details of Approved Procedures and Limits for Controlling Exposure to Investments Whose Capital Value May Fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which forms part of the Annual Treasury Management Strategy Statement).

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

The Council has several approaches to evaluating treasury management decisions: -

- a. monthly reviews carried out by the treasury management team
- b. reviews with our treasury management consultants
- c. annual review after the end of the year as reported to full council
- d. quarterly monitoring reports to committee / full council
- e. comparative reviews
- f. strategic, scrutiny and efficiency value for money reviews

2.1.1 Periodic reviews during the financial year

The Corporate Director of Finance & Resources holds a treasury management review meeting with the Treasury Management section and the Council's Treasury Consultants every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This includes:

- a) Total debt (both on-and off-balance sheet) including average rate and maturity profile
- b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every 3-6 months to review the performance of the investment and debt portfolios.

2.1.3 Annual Review after the end of the financial year

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the debt and investment portfolios. This report contains the following: -

- a. total debt and investments at the beginning and close of the financial year and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement
- b. borrowing strategy for the year compared to actual strategy
- c. whether or not a decision was made to defer borrowing or to borrow in advance
- d. comment on the level of internal borrowing and how it has changed during the year
- e. assumptions made about interest rates
- f. investment strategy for the year compared to actual strategy
- g. explanations for variance between original borrowing and investment strategies and actual
- h. debt rescheduling done in the year
- i. actual borrowing and investment rates available through the year
- j. the performance and return of all investments by type of investment, evaluated against the stated investment objectives
- k. the Report shall identify investments where any specific risks have materialised during the year and report on any financial consequences of that risk; together with details of any remedial action taken. This includes reporting any short-term borrowing costs incurred to remediate any liquidity problem.
- l. the Report shall include details of any review of long-term investments, held by the authority, which was undertaken in the year in accordance with the Annual Investment Strategy.
- m. compliance with Prudential and Treasury Indicators

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used may be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year
- Debt portfolio compared to the debt liability benchmark

2.2.1 Investment

The performance of investment earnings will be measured against the following benchmarks: -

- Average daily SONIA (Sterling Overnight Index Average)
- Backward-looking compounded SONIA (then choose the appropriate period for your portfolio, i.e., 7-day, 1, 3, 6 months etc)
- Forward-looking SONIA Term Reference Rate (then choose the appropriate period - note, these are only available for 1,3-,6- or 12-month periods)

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers.

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a 4-yearly basis with the option to extend if necessary. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.3.2 Banking services

The Council's banking arrangements are to be subject to market review every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Money-broking services

The Council will use money broking services to make deposits or to borrow and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of both prices and quality of services.

2.3.4 Consultants'/advisers' services

This Council's policy is to appoint full-time professional treasury management consultants which will include leasing advice.

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's current policy is not to use external fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The Treasury section has a computerised spreadsheet-based system in which all investment and loan transactions are recorded. The following records will be retained:

- Daily Cash Balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds, and other loans
- Contract notes received from fund manager(s)
- Fund manager(s) valuation statements

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g., monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.1.3 Issues to be addressed

3.1.3.1 In respect of every treasury management decision made the Council will:

- Above all, be clear about the nature and extent of the risks to which it may become exposed
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- Be content that the documentation is adequate both to deliver the organisation's objectives and protect its interests, and to deliver good housekeeping
- Ensure that third parties are judged satisfactory in the context of its creditworthiness policies, and that limits have not been exceeded
- Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

- consider the ongoing revenue liabilities created, and the implications for the organisation's future and budgets to ensure that its capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for five budget years ahead.
- Less detailed evaluation will also be carried out over a longer period of 25 years to ensure that plans continue to be affordable, proportionate, prudent, and sustainable in the longer term. (CIPFA has not defined what longer term means but it is likely to infer 20-30 years in line with the financing time horizon and the expected life of the assets, while medium term financial planning, at a higher level of detail, is probably aimed at around a 10-year time frame and to focus on affordability.)
- not borrow to invest primarily for financial return.
- not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so.

- not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council.
- increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
- undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt.
- evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, and private partnerships.
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.
- ensure that treasury management decisions are made in accordance with good professional practice.

3.1.3.3 In respect of investment decisions, the Council will:

- Consider the optimum period, in the light of cash flow availability and prevailing market conditions
- Consider, if appropriate, the alternative investment products and techniques available, especially the implications of using any which may expose it to changes in the value of its capital.
- ensure that any long-term treasury investment is supported by a business case.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- borrowing.
- lending.
- debt repayment and rescheduling.
- consideration, approval and use of new financial instruments and treasury management techniques.
- managing the underlying risk associated with the Council's capital financing and surplus funds activities.
- managing cash flow.
- banking activities.
- the use of external fund managers (other than Pension Fund)
- leasing

4.2 Approved Instruments for Investments

- As detailed in the Annual Investment Strategy

4.2.1 Implementation of MIFID II requirements

Since 3 January 2018, UK public sector bodies have been defaulted to “retail” status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g., financial institution, fund management operator, broker), there remains the option to opt up to “professional” status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision-making processes in place to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

If investing in negotiable investment instruments is undertaken, (e.g., certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule will be required to be maintained of all counterparties that the treasury management team are authorised to place investments with. This will specify for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

A file is to be maintained for all permissions applied for and received for opt ups to professional status specifying name of the institution, instrument, date applied for, and date received.

A separate file is to be maintained for confirmations that there is an exemption from having to opt up to professional status for a regulated investment, (e.g., to use a money market fund which will deal with retail clients). These files cross reference to the schedules below.

4.3 Approved Techniques

- Deposits with banks, building societies or local organisations (and certain other bodies) for up to 2 years (subject to credit ratings)
- Forward Dealing
- Gilts
- LOBOs – Lender option, borrower's option borrowing instrument
- The use of structured products such as callable deposits
- Triple A rated money market funds

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has several approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal Bond Agency	●	●
UK Infrastructure Bank	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

- Government and EC Capital Grants
- Lottery monies
- PFI/PPP
- Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations, and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Allocation of responsibilities

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices, and activities
- approval of the annual treasury management strategy
- approval of the capital investment strategy

(ii) Executive / Scrutiny Panel

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

(iii) Audit Committee

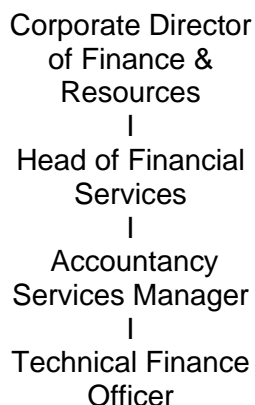
- reviewing the treasury management policy and procedures and making recommendations to the responsible body

5.2 Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

5.3 Treasury Management Organisation Chart



5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1 The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Corporate Director of Finance & Resources (*This post is also the Council's S151 officer.*) This person will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate their power to borrow and invest to members of their staff. The Corporate Director of Finance & Resources, the Head of Financial Services, the Accountancy Services Manager and Finance Officer must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least one of the first three named officers above.
- k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering any capital financing, lending, or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation, or the Council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2 Corporate Director of Finance & Resources / Head of Financial Services / Accountancy Services Manager

The responsibilities of these posts will be: -

- a. execution of transactions in absence of Technical Finance Officer
- b. adherence to agreed policies and practices on a day-to-day basis
- c. maintaining relationships with counterparties and external service providers
- d. supervising treasury management staff
- e. monitoring performance on a day-to-day basis
- f. submitting management information reports to the responsible officer
- g. identifying and recommending opportunities for improved practices

5.4.3 Technical Finance Officer

The responsibilities of this post will be: -

- a. execution of transactions
- b. adherence to agreed policies and practices on a day-to-day basis
- c. maintaining relationships with counterparties and external service providers
- d. monitoring performance on a day-to-day basis
- e. identifying and recommending opportunities for improved practices

5.4.4 The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a. Ensuring that the system is specified and implemented
- b. Ensuring that the responsible officer reports regularly to full Council / Executive and Audit Committee on treasury policy, activity, and performance.

5.4.5 The Monitoring Officer – the Corporate Director of Governance & Regulatory Services

The responsibilities of this post will be: -

- a. Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b. Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c. Giving advice to the responsible officer when advice is sought.

5.4.5 Internal Audit

The responsibilities of Internal Audit will be: -

- a. Reviewing compliance with approved policy and treasury management practices.
- b. Reviewing division of duties and operational practice.
- c. Assessing value for money from treasury activities.
- d. Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Technical Finance Officer will be the primary dealer. In the case of absence, the Accountancy Services Manager will take over the duties of primary dealer but will relinquish authority to authorise any transactions. In the absence of both the Technical Officer and Accountancy Services Manager, the Head of Financial Services will be responsible for dealing. In the absence of the Technical Officer, Accountancy Services Manager and Head of Financial Services, the Corporate Director of Finance & Resources will be responsible for dealing.

5.6 Dealing Limits

The following posts are authorised to deal: -

- Technical Finance Officer
- Accountancy Services Manager
- Head of Financial Services
- Corporate Director of Finance & Resources

There are no individual limits for posts in terms of dealing.

There are procedures in place that restrict the amounts that can be placed with counterparties when lending. In addition, there are limits in place on the HSBCnet that require HSBC to confirm with the Council whether sufficient funds are available to make any proposed payments.

5.7 List of Approved Brokers

The Council currently uses 2 broking services when required:

- ICAP
- Martin Brokers (UK)

5.8 Policy on Brokers' Services

It is this Council's policy to rotate business between brokers.

5.9 Taping of Conversations

It is not this Council's policy to tape brokers conversations

5.10 Direct Dealing Practices

The Council deals directly with counterparties if it is appropriate, and the Council believes that better terms will be available. Some deals are also arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows.

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.11 Settlement Transmission Procedures

Funds are transferred electronically using the CHAPS or BACS system.

5.12 Documentation Requirements

For each deal undertaken a record is prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.13 Arrangements Concerning the Management of Third-Party Funds.

The Council holds several trust funds. Interest is given on credit balances at the average rate for internal balances for the year.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
 - review of the organisation's approved clauses, treasury management policy statement and practices
 - treasury management strategy report on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
 - capital strategy to cover the following: -
 - i. give a long-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning.
 - ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
 - iii. The authorities risk appetite and specific policies and arrangements for non-treasury investments
 - iv. Schedule of non-treasury investments
- b) Mid-year review
- c) Quarterly monitoring or review (paragraphs 43 and 44 of the Prudential Code)
- d) Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive and then to Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) current Treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy
 - i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issues
 - l) the MRP strategy

The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity, and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- c) Which specified and non-specified instruments the Council will use
- d) Whether they will be used by the in-house team, external managers, or both (if applicable)
- e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies the Council will use
- g) How the Council will deal with changes in ratings, rating watches and rating outlooks
- h) Limits of value and time for individual counterparties and groups
- i) Country limits
- j) Maximum value and maximum periods for which funds may be prudently invested
- k) Levels of cash balances and investments over the same time (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels
- l) Interest rate outlook
- m) Budget for investment earnings
- n) A review of the holding of longer-term investments
- o) Use of a cash fund manager (if applicable)
- p) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

- 1. The Council approves before the beginning of each financial year several treasury limits which are set through Prudential and Treasury Indicators.
- 2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council

6.6 Quarterly and Mid-year review

The Council will review its treasury management activities and strategy on a quarterly basis. This review will consider the following: -

- a. activities undertaken
- b. variations (if any) from agreed policies/practices
- c. interim performance report
- d. regular monitoring
- e. monitoring of treasury management indicators for local authorities

The quarterly review will monitor the treasury management and prudential indicators as part of the authority's general revenue and capital monitoring.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Executive and then to Council at the earliest practicable meeting after the end of the financial year, but in any case, by the end of September. This report will include the following: -

- a. transactions executed and their revenue (current) effects
- b. report on risk implications of decisions taken and transactions executed
- c. compliance report on agreed policies and practices, and on statutory/regulatory requirements
- d. performance report
- e. report on compliance with CIPFA Code recommendations
- f. monitoring of treasury management indicators

6.8 Management Information Reports

Management information reports will be prepared every month.

These reports will contain the following information: -

- a. a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects).
- b. measurements of performance including effect on loan charges/investment income.
- c. degree of compliance with original strategy and explanation of variances.
- d. any noncompliance with Prudential limits or other treasury management limits

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Corporate Director of Finance & Resources will prepare a five-year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Corporate Director of Finance & Resources will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year
- Reconciliation of loan interest, discounts received, and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges report
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values.

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Senior Management Team whilst a quarterly budget monitoring report goes to Executive, Audit Committee and People Scrutiny Panel. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly, and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

A debt liability benchmark will be created and monitored on a quarterly basis to inform a long-term view of liquidity requirements.

8.2 Bank Statements Procedures

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken daily.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

Our policy is to pay creditors within 30 days of the invoice date, and this effectively schedules the payments. Certificated payments to sub-contractors must be paid within 30 days. It is current policy to assist local suppliers by paying invoices within 10 days.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Corporate Director of Finance & Resources is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a weekly basis to assist in updating the cash flow models.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the service support team to deposit in the Council's banking accounts. Details are entered on the Cash Flow spreadsheet daily.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 MONEY LAUNDERING

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- Concealing, disguising, converting, transferring criminal property, or removing it from the UK (Section 327 Proceeds of Crime Act 2002).
- Entering or becoming concerned in an arrangement which you know, or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328 Proceeds of Crime Act 2002).
- Acquiring, using, or possessing criminal property (Section 329 Proceeds of Crime Act 2002).
- Investing the proceeds of crime into other financial products or the acquisition of property/assets.

Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation. Although the term 'money laundering' is generally used to describe activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them during their business or employment

9.3 The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls, and procedures to mitigate and effectively manage the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- obtain, verify, and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Council will do the following: -

- a. evaluate the prospect of laundered monies being handled by them
- b. determine the appropriate safeguards to be put in place
- c. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d. make all its staff aware of their responsibilities under POCA
- e. appoint a member of staff to whom they can report any suspicions. This person is the Corporate Director of Finance and Resources
- f. to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis, and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g. The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Corporate Director of Finance and Resources and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence, and this will be affected by following the procedures below.

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fsa.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

During its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk.

All transactions will be carried out by BACS or CHAPS for making deposits or repaying loans.

TMP 10 TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills. The responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements, including a knowledge and skills schedule, are detailed in the schedule to this document.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job, and it will be the responsibility of the Corporate Director of Finance and Resources to ensure that all staff under their authority receive the level of training appropriate to their duties. This will also apply to those staff who from time-to-time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The Corporate Director of Finance & Resources will maintain records on all staff and the training they receive.

10.3 Approved Qualifications for Treasury Staff

The person specification for the Corporate Director of Finance & Resources, the Head of Financial Services, and the Accountancy Services Manager recommends that the posts are filled by CIPFA or other CCAB qualified individuals. The person specification for the Technical Finance Officer recommends that the post is filled by AAT/HND Accounting or equivalent qualification or part CCAB qualified.

10.4 Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section to gain first-hand experience of treasury management operations.

10.5 Statement of Professional Practice (SOPP)

Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.6 Member training records

Records will be kept of all training in treasury management provided to members.

10.7 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Council will employ the services of other organisations to assist it in the field of treasury management. It will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

11.1.1 Banking Services

- a. Name of supplier of service is the HSBC Bank.
- b. Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c. The Head Office address is:
3rd Floor, Capital Building, Hilltop Heights, London Road, Carlisle CA1 2NS Tel :- 08455 846695
The branch address is:
29 English Street, Carlisle, Cumbria, CA3 8JT, Tel: - 08457 404 404
- d. Cost of service is variable depending on schedule of tariffs and volumes
- e. Payments due monthly

11.1.2 Money-Broking Services

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

Broker	Telephone No.	Contact Name	Address
R P Martin Limited	0207 894 8698	Henry Street	Cone Churchill Place, Canary Wharf, London, E14 5RD Henry.Street@Martin-Brokers.com
ICAP	0207 532 3557	Tony Lunn	No 2 Broadgate, London, EC2M 7UR

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its

approved lending list etc. The service will also include the provision of advice in relation to leasing and option appraisal.

The performance of consultants will be reviewed by the Corporate Director of Finance & Resources every year to check whether performance has met expectations.

- a) Name of supplier of service is Link Asset Services Limited. Their address is 40 Duke's Place, London EC3A 7NH Tel: 0871 664 6885
- b) Regulatory status: investment adviser authorised by the FSA
- c) Cost of service is £12,500 per year.

11.1.4 Credit Rating Agency

The Council receives notifications of credit ratings from its Treasury Consultants, Link Asset Services Ltd.

11.2 Procedures and Frequency for Tendering Services

As outlined in TMP2

TMP 12 CORPORATE GOVERNANCE

12.1 List of Documents to be Made Available for Public Inspection

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -

Treasury Management Policy Statement
 Treasury Management Strategy Statement
 Annual Investment Strategy
 Minimum Revenue Provision policy statement
 Annual Treasury Review Report
 Treasury Management monitoring reports (e.g., half yearly, quarterly)

Annual accounts and financial instruments disclosure notes
 Annual budget
 Annual Capital Programme
 Capital Investment Strategy
 Medium Term Financial Plan

Minutes of Council / Executive / Scrutiny Panel / Audit Committee meetings

Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.

Appendix 1

CASH MANAGEMENT - A GUIDE TO PROCEDURES

1. Introduction

- 1.1 Cash management as discussed in this document is but one aspect of the wider treasury management activity of the City Council.
- 1.2 The emphasis therefore on managing cash is on the flow of funds within the City Council as evidenced by movements in the bank balance. Cash management is a function that requires attention daily. Treasury management is also concerned with this day-to-day activity. However, the remit of Treasury management runs much wider. It embraces the longer term borrowing and investment requirements of the authority, the overall management of credit risk and the extent to which risk is related to the achievement of returns.

2. Banking Terms and Arrangements

- 2.1 Central to the effective management of cash is an appreciation of the City Council's banking arrangements and the means of reporting bank information. The City Council's bankers and banking details are:
HSBC 29 English Street, Carlisle, CA3 8JT
Sort Code: 40-16-22

	<u>Account No</u>	<u>Title</u>
Bank Accounts:	60217468	Collection Account
	51025813	Payments Account
	71275984	Council Tax/NNDR

- 2.2 It will be noted that the City Council has three separate bank accounts:

- i) The Collection Account (A/C No 60217468) is the one that is normally used for receipt of income except that relating to Council Tax or NNDR. All transactions relating to investments are processed via the Collection Account.
- ii) The Payments Account (A/C No 51025813) is used to finance most payments made by the City Council. It is funded by transfers from the Collection Account.
- iii) The Council Tax/NNDR Account (A/C No 71275984) is used to receive payments of Council Tax together with receipts of NNDR. The regular precept payments to Cumbria County Council and Cumbria Police Authority are made via this account.

- 2.3 All three separate accounts should each be kept in credit or a 1% turn rate charge will be applied. Any decisions relating to investment or borrowing will be made according to the position of all three accounts.

3. Bank Reporting Procedures

- 3.1 It follows therefore that the first task each day must be to determine the City Council's bank balance as at the close of business on the previous banking day. The balances are obtained by accessing HSBC's internet banking service, HSBCNet. This is usually done by the person undertaking the Treasury Management function for the day (usually the Technical Finance Officer) but can be done by anyone with appropriate access to HSBCNet.
- 3.2 Access to HSBCNet is through a unique username and a passcode generated by a key fob assigned to everyone. Access to the system is assigned through various security levels.

3.3 The balance report can be accessed as follows:

After logging onto HSBCnet

Select:

'Reports and Files' (Tab)

'Reports and Files Download'

The reports in this area automatically run each day. Select the 'Pending Transaction Report' which runs at approx. 6:00am. Click on Download next to the report, which will download a spreadsheet into Excel.

How to Record Macros for the Daily Treasury Transaction Figures from HSBCnet

To format the data within the above spreadsheet, record the following Macros to run each time this report is downloaded.

With the report open click on the View Tab and select Macro from the toolbar and Record Macro.

Name the Macro 'TreasuryFiguresHSBCnet' and store in the Personal Macro Workbook. This will now record the actions to format the data, and perform the sequence each time the Macro is run.

1. From Page Setup select Landscape and Fit to 1 page.
2. Highlight the whole of the worksheet (by clicking in the top left corner), click between columns A & B to extend the cells to their full width.
3. Delete Column D, Ledger Balance (Opening) as this is not used.
4. Format cells B2 to B4 (highlight & right click) Category – 'Fraction'.
5. Split the sort code and account number with a space in cells B2 to B4.
6. Highlight D5 to I5, click auto sum, font size 14 and Bold.
7. Format cells D2 to I5 (highlight & right click) Number, Decimal places: '2' and tick use 1000 separator (,).
8. Highlight row 1, select Bold and Underline from the Toolbar.
9. Insert a new row at 2 and 6.
10. Highlight C3 to C5 and select Bold from the Toolbar.
11. Insert the following Header/Footer from Page Layout/Page Setup.
 - Custom Header (Centre Section) 'Treasury Management – Daily Figures From HSBCnet'.
 - Custom Footer (Left Section) &[Date] space, space &[Time]. (Centre Section) 'Pending Transaction Report'.
12. Stop Recording Macro.

4. Cash Management Strategy - Banking Considerations

- 4.1 The essential target within cash management is to achieve as low a level of bank balance as possible at the end of each day.
- 4.2 The City Council's normal overdraft limit is £100. If the City Council exceeds this limit, the cost of the excess over £100 is charged at Base Rate plus 2.5%. Such a situation will rarely occur unless through error e.g. the failure of a counter-party or their bankers to transfer funds to the City Council on the day in question. However should this happen and it is necessary to claim compensation, the extra cost of overdrafts over £100 must be taken into account.

- 4.3 If, in contrast, the City Council is in credit at the end of the day, there is obviously no direct charge from the bank. However, there is an opportunity cost through loss of investment interest.

5. Cash Management Strategy - Forecasting the Balance

- 5.1 The print out of the daily bank balance via HSBCNet (see para 3.1) includes both the cleared balance at the close of the previous day and a forecast of the balance at the end of the day in question.
- 5.2 The cleared balance at the end of the previous day is used to calculate the daily overdraft charge (if appropriate). In that sense it is only of historic interest but it should also be compared to the balance that was forecast in the office for the previous day. The two figures (even to the nearest thousand pounds) will not often coincide but the variations should be within £10,000-£15,000. More often than not the actual cleared balance will be more favourable than that forecast (hence if in doubt, lend out) due to:

- a) Receipt during the day of cheques drawn on accounts held at HSBC English Street, Carlisle.
- b) Receipt of miscellaneous credits and Giro payments during the day.

Sometimes the balance will be worse than expected due to:

- a) Carlisle City Council cheques being paid in over the counter at HSBC English Street, thereby clearing on the day.
- 5.3 Major variations, especially adverse ones, should be investigated to establish the cause. A major variation is one in excess of £50,000.
- 5.4 The next step is to forecast the bank balance at the end of the day in question. The HSBCNet printout will produce a forecast based on the information it is aware of i.e.
- a) cleared balance b/fwd (Cr or Dr)
 - b) cheques clearing (Cr)
 - c) credits clearing (Cr)

Offset by:

- d) cheques in (Dr)

To this forecast the following must be added

- e) maturing investments. These will include accrued interest, which needs to be taken into account. Details should already be set out in the cash flow spreadsheet (see below).
 - f) other payments in or out due to be actioned on the day and not already included in the projected end of day figures
- 5.5 These sums will all be entered in the cash flow spreadsheet (K/Treasury Management/Carlisle Cash Flow Model (revised) 2010-11). This document is used to forecast cash movements up to 2 years ahead by way of entering major cash flows in and out of the authority. It is the duty of the person in charge of day to day cash management (normally the Technical Finance Officer) to keep this spreadsheet up to date by noting these cash flows as and when they become known.

6. Cash Management Strategy - Forecast Overdrawn Balance

- 6.1 Once the end of day cash balance has been forecast, the next step is to determine the action to be taken if any.

- 6.2 If the balance is forecast to be overdrawn, a judgement needs to be made as to whether or not to recall other sums invested to meet the shortfall. The assumption is made here that the City Council will have a sum of money invested that can be recalled for this purpose. Such money will have been invested overnight or on call or with a Money Market Fund.
- 6.3 However it may be worth looking ahead in case a cash inflow is expected. It may be that recalling a modest sum of money (especially bearing in mind the marginal cost of an overdraft/turn rate) is not worth it if it simply means incurring extra cost to lend out a similar sum the following day. A worksheet is located in the cash flow spreadsheet that allows comparison of different scenarios and takes into account bank and overdraft charges.
- 6.4 If it is decided to recall some money, it is necessary to contact the relevant money broker or if dealing direct the other counter-party stating your requirement for a full or partial repayment. If it is a partial repayment you will also need to decide if you require interest to be repaid as well as principal. You need to make any request to recall monies prior to noon on the day in question. It is then the duty of the counter-party to send the money back to Carlisle City Council.

7. Cash Management Strategy - Forecast Balance in Hand

- 7.1 Alternatively the cash forecast may indicate a balance in hand at the end of the day. If the balance is in the range Nil-£50,000 in hand it is unlikely any action will be required. However in view of the opportunity cost of being in credit at the bank, there is perhaps a greater imperative to act, even if the forecast balance is relatively modest, when this balance is a credit rather than a debit. The decision then needs to be taken as to with whom to invest, how much and for what period.
- 7.2 The Treasury management Strategy Statement, which includes the Investment Strategy, is approved by Council in February of each year. The Statement sets out the policy framework for treasury management operations in the financial year ahead. Appendix B of the statement deals with Investment Policy and in particular it details the type of counter-party with whom the City Council may deposit funds. For both through regulation and through policy, the City Council limits its exposure to any one institution by type, size and period. The limits are set out in the statement and it is imperative that they are observed in all respects.
- 7.3 For some years, indeed ever since the City Council became primarily an investor in the short term money market, the City Council has adopted the same basic strategy for short term investment. This strategy involves keeping a limited amount of money (up to approx. £1m) in liquid form while the remainder of the cash is placed for longer fixed periods.
- 7.4 Retention of some liquid funds is clearly advisable to act as a buffer against day to day variations in the cash position and to enable the bank balance to be kept as low as possible. Money Market Funds and Call accounts are especially attractive for this purpose.
- 7.5 For these reasons the bulk of the City Council's investments tend to be lent out for periods of (usually) 3-6 months but sometimes for shorter terms and also for longer time spans but not usually for longer than 364 days. Although local authorities are not actually forbidden from lending in excess of 364-day periods, the accounting treatment required under current regulations for such investments when the investment matures effectively prohibits such a course of action.

7.6 On any particular day, there is little to be lost by placing surplus funds on an overnight basis. There may be surplus cash in the market as a whole which makes longer-term investments unattractive to a lender and/or there may be little demand from borrowers.

7.7 However the bulk of the City Council's funds will be lent out for a fixed period and this should normally be the preferred option assuming that basic liquidity needs have been met. Lending out for a period will usually generate a higher rate (unless there is a heavy expectation that interest rates will fall) and the fixed period will produce a certainty in both yield and in future availability. What is desirable is that so far as possible the investment is fixed to mature on a date when it is known that funds will be required be they precepts, NNDR payments etc. For this reason it is essential to check with the cash flow spreadsheet to be aware of future requirements and in turn it is essential that this spreadsheet be completed as far in advance as is reasonably practical.

8. Dealing in the Market

8.1 City Council's funds can be placed via money brokers. At present this authority is served by two brokers:

<u>Title</u>	<u>Short Title</u>	<u>Location</u>
Garban Intercapital	(ICAP)	London
Martin Brokers (UK)	(Martins)	London

8.2 Some deals are placed direct with institutions as this can yield a more competitive rate.

9. Transmission of Funds

9.1 Once a deal has been agreed, it is now necessary to arrange for the transfer of the relevant funds. This is carried out by means of the HSBCNet payment system. Each payment requires two levels of transaction:

1. Input
2. Authorise

9.2 Authorising a payment can only be undertaken by one of the following:

Alison Taylor	Corporate Director of Finance & Resources
Steven Tickner	Head of Financial Services
Emma Gillespie	Accountancy Services Manager

9.3 Current capabilities for undertaking each level of transaction are:

Issued to	System Admin	Prepare	Authorise Payments	Authorise Stop Cheques	Download Statement	Enquire
					File	
Kate Short	Y	Y	N	N	Y	Y
Steven Tickner	Y	N	Y	Y	N	Y
Marion Konopka	Y	Y	N	N	Y	Y
Jenny Musgrave		Y	N	N	Y	Y
Gosia Rome		Y	N	N	Y	Y
Irene Hammond		Y	N	N	Y	Y
Kristian Moffat		N	N	N	Y	Y
Emma Gillespie		N	Y	Y	N	Y
Alison Taylor		N	Y	Y	N	Y

- 9.4 Those persons who are able to perform two functions can only perform one for each transaction e.g. Alison Taylor cannot place and authorise the same payment etc. The ability of three people to input payments, and three to authorise should normally provide sufficient cover for holidays, sickness etc.
- 9.5 Dual authorisation is in place for configuration changes and must be carried out by 2 of the designated System Administrators.

10. Recording of Transactions

- 10.1 It is important that the details of any transaction that has been undertaken are immediately and carefully recorded by the person making the deal. Conversations with brokers are routinely taped on their part, partly in case disputes ever arise over the precise terms of a deal.

- 10.2 The Council does not tape telephone conversations however, prompt and accurate recording of the relevant details is clearly of prime importance. These details will comprise:

Date
 Principal Sum
 Interest Rate
 Name of Counterparty
 Banking Details of Counterparty
 Type and Duration of Investment
 Name of Broker (if any)

As part of the dealing transaction these details should be verbally repeated back to the broker (or counter-party if dealing direct) as a first confirmation of what has been agreed.

- 10.2 These details should then be passed to a member of the Systems Team for input to HSBCNet

11. Delegation

- 11.1 Day to day dealing in the money market is carried out by the Technical Finance Officer working within the guidelines set out in the Treasury Management Strategy Statement. In the absence of the Technical Finance Officer, the Accountancy Services Manager would carry out the dealing duties and in the absence of the Accountancy Services Manager, the Head of Financial Services would carry out the dealing duties. Should all these persons be absent the Corporate Director of Finance & Resources would take dealing decisions. Inputting of payments will normally be carried out by one of the members of the Systems team.

Money Market Fund Procedure

Detailed procedures on accessing these accounts are kept confidentially and internally

Carlisle City Council

Report to Audit Committee

Item
A.5

Report details

Meeting Date:	28 September 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:	RD36/22

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

Tracking

Audit Committee:	28 September 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. Consultations and technical updates

2.1 IFRS9

In 2018, following concerns from the sector regarding the adoption of International Financial Reporting Standard 9 (IFRS 9) into the Code of Practice on Local Authority Accounting (the Code), the government introduced a statutory override to mitigate the risks highlighted by the sector. At that time, authorities had expressed concern that reporting changes brought in by IFRS 9 would mean that the fair value movements in certain assets would need to be reflected in budgets. This would have particularly affected investments in pooled investment funds, a type of investment widely held in the sector. Authorities argued that the increased volatility to budgets could impact service delivery or place undue burdens on council taxpayers.

The statutory override mitigates these putative risks by requiring authorities to remove the impacts of the fair value movements of pooled investment funds from their budgets and record them in an unusable reserve. The statutory override was time-limited to five years, from 1 April 2018 and ending 31 March 2023. At that time, the government said that it would keep use of the statutory override under review but made no further commitments.

Therefore, the government is now consulting on how to proceed with the statutory override. The response to the consultation submitted on behalf of the Council is shown at **Appendix A**. For the Council, the investment held with the CCLA would fall within the definitions within IFRS9 and therefore the accounting treatment could be affected should the override be removed. Any gains and losses (although unrealised) in the capital value of the investment would need to be recognised (and funded) in the general fund.

This would have implications on the Council's budget and resources available to support services. A decision would need to be made about the future of the investment with CCLA if the override were to be removed.

2.2 Proposed Changes to Revenue and Capital Data collections

The Department for Levelling Up, Housing and Communities issued two consultations in the early summer regarding how they would collect information on revenue spend and capital expenditure from local authorities.

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) concluded a comprehensive review of local authority expenditure and borrowing data. The review considered the following groups of statistical collections:

- a) local authority borrowing and investments,
- b) local authority capital expenditure, receipts and financing, and
- c) local authority revenue expenditure and financing (revenue account budget, revenue outturn and quarterly revenue outturn)

The aim of the review was to identify:

- a) which data needs are currently being met and which are not,
- b) the highest priority changes to consider taking forward, and
- c) the additional or reduced burden on both authorities and DLUHC of making changes.

One of the findings from the review was that there were gaps in data collected and that a more granular breakdown of information was required.

Capital Data Collections

The consultation therefore recommends the following:

1. Publish additional data tables to show the value of the stock of local authority assets.
2. Publish a list of local authority trading companies, subsidiaries, associates and joint ventures. This should include sector classification of the company and information on the size of the company (number of employees, turnover and balance sheet total).
3. Publish memorandum items to show the grants local authorities have used to finance capital expenditure.
4. Publish an updated forecast of local authority capital finance requirement (CFR) on a quarterly basis.
5. Publish Housing Revenue Account (HRA) and non-HRA housing expenditure in all capital payments and receipts data tables.
6. Publish additional balance sheet information.
7. Survey a sample of local authorities to collect and publish information on the capital grants paid to households and non-profit institutions serving

households (NPISH). This exercise should be repeated every three years to ensure the ratio used for the UK National Accounts remains up to date.

8. The final capital outturn return collection form should be certified by Chief Financial/Section 151 Officers before submitting to DLUHC.

Revenue Data Collections

The consultation therefore recommends the following:

1. Agency staff expenditure for each service area (RO only).
2. Recharges for management and support services against each service sub-category (RO only).
3. Income from other authorities for services provided on their behalf and income transferred from other bodies (RO only).
4. Housing expenditure split by HRA and non-HRA.
5. Expenditure on residential care and fostering services on Children Looked After (RO & RA)
6. Expenditure on looked after and non-looked after asylum seeking children (RO & RA)
7. Information on Better Care Fund (BCF) income and other NHS income (RO only)
8. Splitting Social Care and Public Health into separate components in part A of the subjective analysis return (SAR-A)
9. Splitting Social Care into separate components in part B of the subjective analysis return (SAR-B)
10. Remove line on COVID 19 discharge costs in RO3
11. Remove line on personal protective equipment in RO3
12. Remove lines on "Other personal protective equipment expenditure" and "Total personal protective equipment expenditure" in RO6

Exploring data timeliness and data frequency

13. Update QRO guidance to clarify that the form should be completed using best available data
14. Include a Quarter 4 forecast for each of the service sub-categories in the QRO3

The Council responded to the consultations in September 2022 that there would be additional work involved in collating the required additional information in the returns and additional resource pressure to undertake a more granular breakdown of the calculations required, however, the additional information would not be burdensome to collect nor report.

2.3 2023/24 Code of Practice

CIPFA has issued the consultation on the 2023/24 Code of Practice on Local Authority Financial Reporting.

The changes and feedback requested in the invitation to comment (ITC) for the 2023/24 Code relate to the following:

- A stable platform, including the voluntary adoption of IFRS 16. Note that there is separate work under way on infrastructure assets reporting.
- Changes to accounting standards.
- Updates to the Code because of legislation changes.
- IFRS 17 Insurance Contracts.
- CIPFA LASAAC's strategic plan, including:
 - the communication of the key messages in the financial statements also featuring the work of CIPFA's Financial Reporting Hub (FRHub)
 - sustainability reporting
 - review of the structure and format of the Code.

The closing date for the consultation is 14 October and if deemed necessary a response will be submitted on behalf of the Council.

2.4 Financial Management Code

The Audit Committee were briefed on 8 July 2021 about the new requirements to satisfy the CIPFA Financial Management Code (FM Code).

CIPFA produced a Statement of Principles of Good Financial Management which provide a benchmark against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.

The Council has now reviewed how it complies with these principles and details of these principles are provided at **Appendix B**.

2.5 CIPFA Publication – Internal Audit Untapped Potential

In May 2022 CIPFA released Internal Audit – Untapped Potential. This report summarised findings from an extensive research project looking into the effectiveness and impact of Internal Audit in the public sector. The report is forward looking and identifies a number of areas Internal Audit teams should be focusing on to ensure it holds an important place within its authority.

The report includes references to adapting to new technology and ways of working (particularly following the Covid-19 pandemic) and ensuring training programmes are in place to ensure auditors can review growing risk areas such as ICT and environmental risks, as well as growing financial pressures as a result of the current

economic crisis, while continuing to promote the services provided by the Internal Audit team. These comments and developments will be considered as part of ongoing service provision, particularly when reviewing training and development programmes for the audit team.

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.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

Appendix A – IFRS 9 Consultation Response

Appendix B – FM Code

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

Introduction

1 What is your name?

Name:
Steven Tickner

2 What is your email address?

Email:
steven.tickner@carlisle.gov.uk

3 What is your organisation?

Organisation:
Carlisle City Council

Background

Scope of the consultation

Matters for consideration

Questions

1 In your view, what should the future of the IFRS 9 override be post March 2023 [elapse/extend/make permanent]? Please set out your rationale.

Make permanent

In your view, what should the future of the IFRS 9 override be post March 2023 [elapse/extend/make permanent]? Please set out your rationale.:

To allow for further consideration as to whether it is appropriate to apply a statutory override with a definitive exit plan should the decision be to not continue. The current timescales do not allow authorities to plan for the override to elapse on 31/03/23 and if necessary make arrangements that can be taken so as not to impact on their revenue budgets. By making permanent this allows these investments to continue to be used and removes the chances of them negatively impacting on annual budget setting processes.

2 Please describe any financial consequences for your authority if the statutory override is allowed to elapse from 31 March 2023?

Please describe any financial consequences for your authority if the statutory override is allowed to elapse from 31 March 2023?:

Will have a potentially significant impact on budget planning for 2023/24 onwards, the process for which is now underway and could impact on potential service delivery and resource allocations.

3 What are the advantages and disadvantages of investing in pooled investment funds for your LA?

What are the advantages and disadvantages of investing in pooled investment funds for your LA? :

The investment has allowed us to diversify our investment portfolio and achieve returns that help to provide resources for service delivery. The investment is seen as a long term investment with potential peaks and troughs balancing out over a longer period of time.

4 How would removing the statutory override change your current approach to investing in pooled investment funds?

How would removing the statutory override change your current approach to investing in pooled investment funds?:

Without having the statutory override, the authority would be unlikely to invest in these instruments due to the potential volatility impact on revenue budgets and the fact that any gains made would still be unrealised until the investment is exited.

5 Assuming the statutory override elapses March 2023, what impact might this change have on your audit process?

Assuming the statutory override elapses March 2023, what impact might this change have on your audit process?:

There will likely be increased scrutiny by audit on the removal of the override and that proper accounting treatment has been applied.

6 Assuming that the statutory override is continued beyond March 2023, do think it should be time-limited or permanent? Please set out your rationale.

Permanent

(a) Assuming that the statutory override is continued beyond March 2023, do think it should be time-limited or permanent? Please set out your rationale.:

By making permanent this allows these investments to continue to be used and removes the chances of them negatively impacting on annual budget setting processes.

7 If you think the statutory override should be time-limited, what do you consider the appropriate length of time it should be extended?

If you think the statutory override should be time-limited, what do you consider the appropriate length of time it should be extended?:

8 If applicable, has your authority taken steps to reduce its exposure to the risks associated with pooled investment funds ahead of the statutory override potentially ending 31 March 2023? Please provide details.

Not applicable (go to question 9)

If applicable, has your authority taken steps to reduce its exposure to the risks associated with pooled investment funds ahead of the statutory override potentially ending 31 March 2023? Please provide details. :

9 If your authority has not taken steps to reduce its exposure to risks from pooled investment funds, please set out the rationale for this.

Not Answered

If your authority has not taken steps to reduce its exposure to risks from pooled investment funds, please set out the rationale for this.:

We deem the investment as a longer term one with no specific requirement to release the invested cash.

10 Do you agree that by not recognising the fair value movement of pooled investment funds this reduces effective risk management and potentially creates future risks? Please provide details.

Do you agree that by not recognising the fair value movement of pooled investment funds this reduces effective risk management and potentially creates future risks? Please provide details.:

Disagree

Do you agree that by not recognising the fair value movement of pooled investment funds this reduces effective risk management and potentially creates future risks? Please provide details.:

We monitor the movement on the fair value regularly so feel that although this is not recognised through the revenue account this does not mean that effective risk management is not considered

11 What is the fair value of your authorities pooled investment fund investments as at 31 March 2022?

What is the fair value of your authorities pooled investment fund investments as at 31 March 2022?:

3866729

12 Please set out the value of the gains/losses from your authorities investments in pooled investment funds for 2019/20, 2020/21, 2021/22 recognised under proper practices. Please give both absolute value and as percentage movement for each year.

Please set out the value of the gains/losses from your authorities investments in pooled investment funds for 2019/20, 2020/21, 2021/22 recognised under proper practices. Please give both absolute value and as percentage movement for each year.:

2019/20 - £68671 Loss (4%)

2020/21 - £84130 Loss (1%)

2021/22 - £577371 Gain (17.55%)

13 What is the balance on the unusable reserve as created by the statutory override as at March 2022?

What is the balance on the unusable reserve as created by the statutory override as at March 2022?:

1029836

About this consultation

Personal data

CIPFA FINANCIAL MANAGEMENT CODE - STANDARDS

Principle	Standard	Compliance				Evidence / Comment
		Yes	No	Part	n/a	
Leadership	A. The Leadership team is able to demonstrate that services provided by the authority provide value for money.					
	A1 Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?	✓				Contained within Financial Procedure Rules, Contract Procedure Rules and within Job Descriptions of Senior Management Teams. Also referenced heavily within MTFP
	A2 Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?	✓				Requirements are contained in Financial Procedure Rules, Contract Procedure Rules.
	A3 Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?	✓				Yes, through its Procurement and Commissioning Strategy and full use of the Council's Contract Procedure Rules when entering into contracts for goods and services. Ad-hoc benchmarking exercises undertaken.
Leadership	B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government					
	B1 Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions?	✓				Key Member of SMT
	B2 Does the CFO lead and champion the promotion and delivery of good financial management across the authority?	✓				Contained in the Job Description for the role
	B3 Is the CFO suitably qualified and experienced?	✓				CIPFA qualified and experienced in Local Govt Finance
	B4 Is the finance team suitably resourced and fit for purpose?	✓				CIPFA qualified Head of Financial Services, CIMA qualified Accountancy Services Manager, AAT qualified Finance Officers, CIPS qualified Procurement Officer
Assurance	C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.					
	C1 Does the leadership team espouse the Nolan principles?	✓				Reference is made in the Annual Governance Statement on arrangements for Governance and Internal Controls. Forms the basis of both the Member and Employee Codes of Conduct.
	C2 Does the authority have in place a clear framework for governance and internal control?	✓				Constitution, Internal Audit function delivers a detailed audit plan annually to review internal control processes
	C3 Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability?	✓				In-house internal audit team delivers an annual plan that covers all areas of the organisation
	C4 Does the leadership team espouse high standards of governance and internal control?	✓				Reviews the delivery of the internal audit plan, Governance processes, attend Committee meetings. Annual Governance Statement, Ethical Governance Training Programme
	C5 Does the leadership team nurture a culture of effective governance and robust internal control across the authority?	✓				Organisation has effective governance processes embedded and not subject to frequent changes allowing for continuity in decision making processes and continuity of internal control processes
Accountability	D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)					
	D1 Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements?	✓				Principles are updated annually. Governance Sub-group meets fortnightly to discuss and make recommendations to ensure good governance within the Council
	D2 Does the authority have in place a suitable local code of governance?	✓				Yes, a Local COCG is in place, and regular monitoring of Good Governance Principles
	D3 Does the authority have a robust assurance process to support its AGS?	✓				Thorough checklist of Good Governance Principles support the production of the AGS alongside the work of internal audit and other control mechanisms

Principle	Standard	Compliance				Evidence / Comment
		Yes	No	Part	n/a	

Principle	Standard	Compliance				Evidence / Comment
		Yes	No	Part	n/a	
Sustainability	E. The financial management style of the authority supports financial sustainability					
	E1 Does the authority have in place an effective framework of financial accountability?	✓				Executive, Scrutiny and Audit Committee
	E2 Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services?	✓				Yes, through the Corporate and Individual Service Plans for delivery of services; and through the annual budget process with a realignment of resources to priority areas where necessary. Unqualified VFM conclusion from external auditors.
	E3 Does the authority's finance team have appropriate input into the development of strategic and operational plans?	✓				All Corporate reports are required to have financial comments added prior to publication and this would include on any strategic plans and all decisions made by the Council
	E4 Do managers across the authority possess sufficient financial literacy to deliver services costeffectively and to be held accountable for doing so?	✓				Requirement is included in Job Descriptions and the Council provides a variety of Financial Management Training courses led by Finance staff to help Managers understand Financial matters
	E5 Has the authority sought an external view on its financial style, for example through a process of peer review?	✓				LGA Peer Review undertaken during 2020.
	E6 Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?	✓				Schemes of Delegation provide suitable requirements on those with Financial and Governance responsibilities. Leaders SoD, Council SoD and individual Directors also have their own SoD's to document appropriate delegations.
Assurance	F. The authority has carried out a credible and transparent resilience assessment					
	F1 Has the authority undertaken a financial resilience assessment?	✓				Scenario planning contained within the MTFP to address financial resilience and to ensure going concern principles are considered. Risk based reserves assessment undertaken annually to support the budget setting process
	F2 Has the assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?	✓				see above
	F3 Has the authority taken appropriate action to address any risks identified as part of the assessment?	✓				yes, as part of the annual budget process and throughout the year as part of the financial reporting process
Sustainability	G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members					
	G1 Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?	✓				Corporate Risk Registers and Operational Risk Registers outline the major risks to the Council's financial sustainability. The MTFP demonstrates financial sustainability and the SoA are prepared on a going-concern basis.
	G2 Does the authority have a strategic plan and long-term financial strategy that adequately address these risks?	✓				Corporate Plan and a balanced five year MTFP is in place
	G3 Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (eg using a technique such as scenario planning)?	✓				Scenarios contained within the MTFP on financial assumptions. Risk Based Revenue Reserve exercise undertaken annually to assess minimum reserve levels.
	G4 Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making?	✓				Yes, via SFPG, SMT and JMT prior to reporting the MTFP and Capital Investment Plan by the Executive and Scrutiny. Quarterly monitoring throughout the year.
Standards	H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities					
	H1 Has the authority prepared a suitable capital strategy?	✓				Capital Investment Strategy agreed by Council annually
	H2 Has the authority set prudential indicators in line with the Prudential Code?	✓				Included in the TMSS which is agreed annually
	H3 Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?	✓				Through quarterly Treasury Management Monitoring reports

Principle	Standard	Compliance				Evidence / Comment
		Yes	No	Part	n/a	
Sustainability	I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans					
	I1 Does the authority have in place an agreed medium-term financial plan?	✓				5-year MTFP agreed annually by Council
	I2 Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?	✓				MTFP informs the budget process which is informed by Service Plans and Corporate Priorities
	I3 Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?	✓				Takes account of known upcoming cost pressures and issues affecting the Council and links to the Corporate Priorities and other Core Strategic documents
	I4 Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?	✓				Includes sensitivity analysis on income levels and the impact these have on the budget
	I5 Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?	✓				AMP agreed by Council on an annual basis alongside the MTFP
Standards	J. The authority complies with its statutory obligations in respect of the budget setting process					
	J1 Is the authority aware of its statutory obligations in respect of the budget-setting process?	✓				Yes, set out in the Constitution and complied with
	J2 Has the authority set a balanced budget for the current year?	✓				Annual Council Resolution and statutory S25 report
	J3 Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?	✓				S151 Officer and Deputy fully aware of the requirements
Standards	K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves					
	K1 Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?	✓				Included in every budget - part of S25 report in Council Budget Resolution
	K2 Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case?	✓				Council Budget Resolution
	K3 Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?	✓				Adequacy of reserves assessed in MTFP and in detailed budget reports before finally including in the Council Budget Resolution.
	K4 Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?	✓				Council Budget Resolution
Transparency	L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget					
	L1 How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget?	✓				Annually as part of the Budget Proposals consultation process
	L2 How effective has this engagement been?	✓				Meetings held with Trade Unions and Large Businesses within the area. All staff, businesses and council taxpayers are invited to comment on the budget proposals. Feedback received and acted upon where appropriate
	L3 What action does the authority plan to take to improve its engagement with key stakeholders?				✓	Have improved the documentation and methods of communication over the last few years - all info accessible on the internet
Transparency	M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions					
	M1 Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal?	✓				We use Treasury advisors to assist with complex and detailed high value option appraisal and this service also extends to option appraisal for capital financing. Also included in the capital investment strategy. Business case development for significant projects as apt of budget process and project development. Project Management handbook and risk assessment on capital programme monitoring

Principle	Standard	Compliance				Evidence / Comment
		Yes	No	Part	n/a	
	M2 Does the authority offer guidance to officers as to when an option appraisal should be undertaken?	✓				Yes - as detailed above
	M3 Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?	✓				Yes, appropriate techniques are used for relevant projects
	M4 Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty?	✓				Yes
	M5 Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?	✓				Yes - through Executive and Council
Assurance	N. The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability					
	N1 Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability?	✓				Budget monitoring reports, budget preparation reports, outturn reports, MTFP considerations reports. Strategic Financial Planning Group (Leader, Deputy Leader and SMT) consider budget issues throughout the process of setting a budget.
	N2 Do the reports cover both forward and backward-looking information in respect of financial and operational performance?	✓				Mainly backward looking performance, but with some forecasting and potential outturn included.
	N3 Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?	✓				Partnerships and contracts are monitored and reported where necessary. Partnership register reported through Scrutiny.
	N4 Are the reports provided to the leadership team in a timely manner and in a suitable format?	✓				Template report format that provides summary and detailed information included in appendices. Reports issued on a monthly basis.
	N5 Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?	✓				yes, reports are welcomed by SMT and robustly scrutinised on a monthly basis
Leadership	O. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability					
	O1 Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?	✓				Balance Sheet reviews contained within Treasury Management projections working which feed into the TMSS and also the monitoring statements.
	O2 Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?	✓				Scenario Planning and balance sheet management in the budget monitoring report and balance sheet analysis in TMSS annually
	O3 Is the authority taking action to mitigate any risks identified?	✓				Respond to quarterly balance sheet reviews and budget monitoring reports
	O4 Does the authority report unplanned use of its reserves to the leadership team in a timely manner?	✓				Additional use of GF reserves would require Executive and Council approval.
	O5 Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?	✓				Balance sheet management forms part of the quarterly monitoring reports
Accountability	P. The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom					
	P1 Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements?	✓				Set out in Statement of Responsibilities
	P2 Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms?	✓				Job description
	P3 Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?	✓				Always
Accountability	Q. The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions					
	Q1 Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget?	✓				Regular budget monitoring reports (monthly) and final outturn report are considered by SMT.
	Q2 Is the information in these reports presented effectively?	✓				Yes, summary for SMT, more detailed for the Executive/Scrutiny
	Q3 Are these reports focused on information that is of interest and relevance to the leadership team?	✓				Summarised at Directorate Level
	Q4 Does the leadership team feel that the reports support it in making strategic financial decisions?	✓				yes, report at the correct level of detail to support decision making

Carlisle City Council

Report to Audit Committee

Item
A.6

Report details

Meeting Date:	28 September 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not Applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Effectiveness Review of the Audit Committee – Training Programme
Report of:	Corporate Director of Finance and Resources
Report Number:	RD38/22

Purpose / Summary:

This report provides Members with an update on the Effectiveness Review that was undertaken in 2020 and subsequent training needs analysis undertaken in 2021, and requests that the Committee note the results and agree to the proposed training programme as set out in the report.

Recommendations:

The Audit Committee is asked to:

- (i) note the results of the review, and progress made against the action plan; and
- (ii) comment upon and approve the training programme for the remainder of 2022/23.

Tracking

Audit Committee:	28 September 2022
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1. Background

- 1.1 Two effectiveness reviews of the Audit Committee have been undertaken in recent years, both in line with the CIPFA Guidance for Local Authority's Audit Committees. The first was undertaken on 19th April 2016 with an external facilitator, with the second being held on 12th October 2020, facilitated by internal officers.
- 1.2 The action plan was updated prepared following the 2020 review and this is attached at **Appendix A**, along with progress made against each action.
- 1.3 This report focuses on actions C1 and C2 in terms of the results of the self-assessment survey completed by Members in 2021, and the proposed training programme as a result.

2. CIPFA Framework – Core and Specialist Knowledge and Skills

- 2.1 In February 2021 surveys were sent to the (then) core members and substitutes of the Audit Committee to complete a Core Specialist Knowledge and Skills questionnaire in order to identify any gaps in knowledge and to identify any training needs to inform a new training programme for Members. There was a 35% response rate (5).
- 2.2 The results of the survey have been summarised and the pertinent comments for the Core and Specialist Knowledge are shown at **Appendix B** for information. There was also a general comment in relation to welcoming any training which enhances knowledge and understanding, as well a request for Meeting Chairing training (this action already forms part of the action plan).
- 2.3 It is clear from the results that there are different levels of confidence, knowledge and understanding; however, all respondents have expressed the need for further training, whether this be fresher training or new training requirements.

3. Training Programme

- 3.1 The Committee has received specific training on the Statement of Accounts, Role of Internal Audit, Role of External Audit and Role of the Audit Committee as part of the Ethical Governance Training Programme. This was delivered by the Head of Financial Services and was held on 5th July 2022.
- 3.2 As a result of the survey, and with Member's agreement, it is proposed to deliver the following training programme during the remainder of 2022/23, if feasible. This is much reduced from previous years given that the City Council will not be setting a budget for 2023/24 – this will be the responsibility of the new Cumberland Council.

3.3 Potential Training Programme

- Local Code of Corporate Governance and Annual Governance Statement
- Financial Management and Accountancy
- Treasury Management (including MRP)
- Public Sector Internal Audit Standards (PSIAS)
- Risk Management
- Counter Fraud & Corruption (as part of the Ethical Governance Programme)
- Councillor Code of Conduct (as part of the Ethical Governance Programme for newly elected Members)

3.4 Members are asked to consider whether these be delivered immediately prior to the start of the remaining 2 audit committee meetings of 2022/23 or whether bespoke sessions be arranged to cover the topics. Given the length of time available to officers to deliver training, it would perhaps be useful if Members could prioritise their training needs for the remainder of the year.

4. Consultation

4.1 None

5. Conclusion and reasons for recommendations

5.1 Members are asked to note the survey results and the proposed training programme to ensure that the Council has put the necessary governance arrangements in place to ensure full compliance with statutory requirements and CIPFA guidance.

Contact details:

Contact Officer: Alison Taylor

Ext: 7290

Appendices attached to report:

Appendix A – Improvement Action Plan

Appendix B – Core and Specialist Knowledge Results

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 purpose of the Council's Audit Committee is to provide independent assurance of the adequacy of the risk management framework and also scrutiny of our financial and non-financial performance. The establishment of the Committee is in line with CIPFA best

practice as is the requirement to review the committee's effectiveness so as to ensure that the Council obtains the necessary assurance it requires. Even when operating to a satisfactory level, we should also seek to improve when we are able to do so. Article 15 of the Constitution says that the Monitoring Officer should promote best practice amongst the Council's Committees and the effectiveness review of the Audit Committee which included the involvement of the Section 151 Officer, Designated Head of Internal Audit and the Monitoring Officer is welcomed and is an excellent part of this process.

Property Services - none

Finance - Contained within the report

Equality - None

Information Governance – None

APPENDIX A

EFFECTIVENESS REVIEW IMPROVEMENT PLAN

Effectiveness Review 12/10/20	Agenda Item	Comments	Action needed/Deadline	Responsibility
A	Presentation on the Role of the Audit Committee	Concern expressed that virtual meetings were not being as effective as face to face meetings		
B	Review the Terms of Reference	<p>Use of an Independent Member (referred to in the Redmond Review too)</p> <p>Acknowledgement of the Chairs Role (Role descriptors already included in the Constitution)</p> <p>Training for individual Chairs</p>	<p>Government's response to the Redmond Review – report to the Audit Cttee (15/03/21)</p> <p>Update ToR as appropriate</p> <p>Will form part of the Ethical Governance Training Programme</p>	<p>Corporate Director of Finance & Resources</p> <p>Corporate Director of Governance & Regulatory Services</p> <p>Corporate Director of Governance & Regulatory Services</p>
C	Effectiveness Review:			
C1	Survey Results	<p>The results of the self-assessment Good Practice questionnaire were reviewed.</p> <p>This could perhaps form part of the Chair's annual report to show how the Cttee adds value to the organisation.</p>	<p>The CIPFA framework on Core and Specialist Knowledge and Skills be issued to members to identify any gaps in knowledge and to identify any training needs to inform a new training programme.</p> <p>CIPFA's evaluation toolkit to be issued to Members</p>	<p>Corporate Director of Finance & Resources</p> <p>Issue to Members on 16/02/21</p>

C2	Training Programme	Existing training programme reviewed – agreed that it covered all of the necessary topics. Knowledge gaps to be identified to improve the programme and/or to determine whether any Independent Members with Specialist skills/knowledge would be beneficial	See C1 above	Corporate Director of Finance & Resources (following receipt of completed CIPFA Framework on skills and knowledge)
C3	Actions/improvement plan	Previous action plan reviewed. All items complete or picked up in this improvement plan.	New Improvement Plan to be prepared	Corporate Director of Finance & Resources
D	Redmond Review	Provided for Members to read through		MHCLG response to the Review provided to Members (see item B)

In attendance on 12/10/20:

Cllr K Meller, Cllr L Patrick, Cllr P Birks, Cllr A McKerrell, Cllr C Finlayson, Cllr M Bowman, Cllr J Bomford, Cllr R Alcroft (Apologies received from Cllr Tickner)

A Taylor, M Roper, M Lambert

Audit committee members– Knowledge Framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
Organisational knowledge	<ul style="list-style-type: none"> ■ An overview of the governance structures of the authority and decision-making processes ■ Knowledge of the organisational objectives and major functions of the authority ■ 	<ul style="list-style-type: none"> ■ This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers 	<p>General understanding reasonably happy with depth of knowledge</p> <p>Fair understanding. Refreshing of certain points when relevant is welcome though as not everyday business for all of us.</p> <p>Confident in this knowledge area, with a good understanding.</p> <p>I would appreciate training on this</p>
Audit committee role and functions (Chapters 3 and 6)	<ul style="list-style-type: none"> ■ An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements 	<ul style="list-style-type: none"> ■ This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work 	<p>Happy with my knowledge base would like kept up to date with changes like the prudential changes and Redmond reports with some training being given rather than just documents when there are significant changes.</p>

	<ul style="list-style-type: none"> ■ Knowledge of the purpose and role of the audit committee 	of others	<p>Good understanding sometimes a view point from a dual hat though.</p> <p>Confident in this knowledge area, with a good understanding.</p> <p>I would suggest a briefing prior to the 1st meeting of the civic year for all members</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
Governance (Chapter 4)	<ul style="list-style-type: none"> ■ Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS ■ Knowledge of the local code of governance 	<ul style="list-style-type: none"> ■ The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework ■ The committee will plan the assurances it is to receive in order to adequately support the AGS ■ The committee will review the AGS and consider how the authority is meeting the principles of good governance 	<p>Happy with my knowledge base</p> <p>Fair but refresh is needed to keep up to date and fresh in mind.</p> <p>Reasonably confident in this knowledge area.</p> <p>Training required</p>
Internal audit (Chapter 4)	<ul style="list-style-type: none"> ■ An awareness of the key principles of the PSIAS and the LGAN ■ Knowledge of the arrangements 	<ul style="list-style-type: none"> ■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit 	Not sure how the decisions are made as to what departments and documents should be audited

	for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled	<p>standards</p> <ul style="list-style-type: none"> ■ The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards 	<p>Fair understanding, good footnotes for guidance on some relevant points that get brought forward</p> <p>I think further training for the Committee on these areas would be beneficial.</p> <p>This is an important part of the Audit Committee. Any training or updates would be appreciated.</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
		<ul style="list-style-type: none"> ■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed ■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan 	<p>All audit chairs should be required to undertake a form of mandatory training</p> <p>Fair understanding, good footnotes for guidance on some relevant points that get brought forward</p>
Financial management and accounting (Chapter 4)	<ul style="list-style-type: none"> ■ Awareness of the financial statements that a local authority must produce and the principles it 	<ul style="list-style-type: none"> ■ Reviewing the financial statements prior to publication, asking questions 	<p>Happy with base knowledge</p> <p>Good knowledge but always welcome the refresh when going</p>

	<p>must follow to produce them</p> <ul style="list-style-type: none"> ■ Understanding of good financial management principles ■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by <i>The Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2016) 	<ul style="list-style-type: none"> ■ Receiving the external audit report and opinion on the financial audit ■ Reviewing both external and internal audit recommendations relating to financial management and controls ■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS 	<p>through near autumn time. Especially when highlighting key points from the year or changes.</p> <p>I feel reasonably confident in these areas but would always like further training on the statement of accounts.</p> <p>I would suggest this should be taken as training in advance of the Committees first meeting</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
External audit (Chapter 4)	<ul style="list-style-type: none"> ■ Knowledge of the role and functions of the external auditor and who currently undertakes this role ■ Knowledge of the key reports and assurances that external audit will provide ■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken 	<ul style="list-style-type: none"> ■ The audit committee should meet with the external auditor regularly and receive their reports and opinions ■ Monitoring external audit recommendations and maximising benefit from audit process ■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service 	<p>Happy</p> <p>Reasonable and quick pointers and footnotes help catch up key points between meetings</p> <p>Reasonably confident in this knowledge area</p> <p>Not sure how we would monitor the relationship between the auditor and the authority?</p>
Risk management (Chapter 4)	<ul style="list-style-type: none"> ■ Understanding of the principles of risk management, including 	<ul style="list-style-type: none"> ■ In reviewing the AGS, the committee will consider the 	CMI level 7 in risk management

	<p>linkage to good governance and decision making</p> <ul style="list-style-type: none"> ■ Knowledge of the risk management policy and strategy of the organisation ■ Understanding of risk governance arrangements, including the role of members and of the audit committee 	<p>robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</p> <ul style="list-style-type: none"> ■ Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, 	<p>Fair</p> <p>Further training would be appreciated.</p> <p>No training required</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
		<p>external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee</p> <ul style="list-style-type: none"> ■ The committee should also review reports and action plans to develop the application of risk management practice 	
Counter fraud (Chapter 4)	<ul style="list-style-type: none"> ■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed 	<ul style="list-style-type: none"> ■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the 	<p>Happy with my base knowledge. Completed online skills training for city council on fraud and money laundering</p>

	<ul style="list-style-type: none"> ■ Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Knowledge of the organisation's arrangements for tackling fraud 	<p>organisation's fraud strategy and receives reports on the effectiveness of that strategy</p> <ul style="list-style-type: none"> ■ An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment 	<p>Fair but welcome yearly update in changes to fraud and key points</p> <p>Reasonably confident in this knowledge area</p> <p>Have undertaken training via skillgate but always willing to do more to increase understanding</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
Values of good governance (Chapter 5)	<ul style="list-style-type: none"> ■ Knowledge of the Seven Principles of Public Life ■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff ■ Knowledge of the whistleblowing arrangements in the authority 	<ul style="list-style-type: none"> ■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS ■ Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported 	<p>Will revisit whistle blowing policy</p> <p>Yes or easy enough to find relevant info if needed but knowledge of standards</p> <p>Reasonably confident with this, however I would like to know more about the LGA's new model Councillor code of conduct 2020</p> <p>I have taken training via skillgate but willing to do more to increase knowledge</p>
Treasury management (only if it is within the terms of reference of the committee to	<ul style="list-style-type: none"> ■ Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury 	<ul style="list-style-type: none"> ■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny 	<p>Happy base knowledge</p> <p>If needed within the scope yes</p> <p>Reasonably confident in this knowledge area</p>

provide scrutiny) (Chapter 5)	<p>management. The key knowledge areas identified are:</p> <ul style="list-style-type: none"> - regulatory requirements - treasury risks - the organisation's treasury management strategy - the organisation's policies and procedures in relation to treasury management <p>■ See also Treasure Your Assets (CfPS, 2017)</p>		
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SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee	Knowledge Gap/Training needs
Accountancy	<p>■ Professional qualification in accountancy</p>	<ul style="list-style-type: none"> ■ More able to engage with the review of the accounts and financial management issues coming before the committee ■ Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues ■ More able to engage with the external auditors and understand 	<p>Don't have this experience. Would definitely be helpful to the Committee</p> <p>Any training welcomed.</p>

		the results of audit work	
Internal audit	<ul style="list-style-type: none"> Professional qualification in internal audit 	<ul style="list-style-type: none"> This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing The committee would be more able to provide oversight of internal audit and review the output of audit reports 	<p>Don't have this experience. Would definitely be helpful to the Committee</p> <p>None</p>
Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee	Knowledge Gap/Training needs
Risk management	<ul style="list-style-type: none"> Risk management qualification Practical experience of applying risk management Knowledge of risks and opportunities associated with major areas of activity 	<p>Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice</p> <ul style="list-style-type: none"> Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers 	<p>Diploma in Health and Safety, risk management and business continuity</p> <p>Could be helpful but not essential</p> <p>none</p>
Governance and legal	<ul style="list-style-type: none"> Legal qualification and knowledge of specific areas of interest to the 	<ul style="list-style-type: none"> Legal knowledge may add value when the committee considers areas of legal risk 	<p>Could be helpful but not essential</p> <p>None</p>

	committee, for example constitutional arrangements, data protection or contract law	or governance issues	
Service knowledge relevant to the functions of the organisation	<ul style="list-style-type: none"> ■ Direct experience of managing or working in a service area similar to that operated by the authority ■ Previous scrutiny committee experience 	<ul style="list-style-type: none"> ■ Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context 	<p>Masters in Business management ILM in Leadership and management Housing Law Some contract law</p> <p>B&Ts chair and vice chair Sub health and wellbeing Sub economic growth</p> <p>Worked in Refuse collection. Management in mid-tier business,</p> <p>Some relevant and appropriate knowledge</p> <p>I have a broad knowledge of the functions of the council gained from many years of experience</p>
Programme and project management	<ul style="list-style-type: none"> ■ Project management qualifications or practical knowledge of project management principles 	<ul style="list-style-type: none"> ■ Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews 	<p>Masters in Business management ILM in Leadership and management Housing Law Some contract law</p> <p>B&Ts chair and vice chair Sub health and wellbeing Sub economic growth</p> <p>Managed projects within an</p>

			<p>organisation and risk assess</p> <p>I don't think specialist knowledge in this is essential for the Committee</p> <p>none</p>
Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee	Knowledge Gap/Training needs
IT systems and IT governance	<ul style="list-style-type: none"> ■ Knowledge gained from management or development work in IT 	<ul style="list-style-type: none"> ■ Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls 	<p>Trained to train in data protection and GDPR</p> <p>General understanding helpful, don't think specialist knowledge necessary for the Audi Committee</p> <p>none</p>