



# Carlisle City Council

## Report to Council

### Report details

Meeting Date: 26 April 2022  
Portfolio: Finance, Governance and Resources  
Key Decision: Not applicable  
Policy and Budget Framework: Yes  
Public / Private: Public

Title: AUDIT COMMITTEE ANNUAL REPORT 2021/22  
Report of: CHAIR OF AUDIT COMMITTEE  
Report Number: RD.74/21

### Purpose / Summary:

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

### Recommendations:

It is recommended that Council note and accept this report.

### Tracking

Audit Committee	23 March 2022
Council:	26 April 2022



# Carlisle City Council

## Report to Audit Committee

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Title: AUDIT COMMITTEE ANNUAL REPORT 2021/22  
Report of: CHAIR OF AUDIT COMMITTEE  
Report Number: RD.74/21

### Purpose / Summary:

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

### Recommendations:

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

### Tracking

Audit Committee	23 March 2022
Council:	26 April 2022

## 1. Background

1.1. In accordance with paragraph 3.3 of the Audit Committee's Rules of Governance - attached to this report for Members' information as Appendix A - the Chair of the Audit Committee is required to present an Annual Report on the work of the Audit Committee to the full Council.

## 2. Purpose of the report

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

## 2.2 The Committee

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

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

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

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

8<sup>th</sup> July 2021

28<sup>th</sup> July 2021

24<sup>th</sup> September 2021

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

10<sup>th</sup> December 2021

17<sup>th</sup> March 2022

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

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

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

2.2.4 It should be noted that the Committee returned to face to face meetings during 2021/22.

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

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

## **2.3 External Audit**

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

2.3.2 The Audit Committee also received the Annual Findings Report in relation to the Statement of Accounts for both 2019/20 and 2020/21. A judgement was included in the External Auditor's Annual Report indicating whether the Council has adequate arrangements to secure Value for Money in the use of resources. This judgement for 2020/21 is considered in the Audit Committee Agenda on 23 March 2022.

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

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

## **2.4 Internal Audit**

2.4.1 The Committee has overseen the work undertaken by Internal Audit throughout the year, including the delivery of the Annual Audit Plan.

2.4.2 The Internal Audit Plan focused on a Risk Based approach to establishing which reviews to undertake and where resources should be focussed.

2.4.3 The Committee received quarterly update reports from Internal Audit highlighting performance against the plan as well as reports of completed reviews. Each report is supplemented by a verbal update on key areas of success or concern in each completed audit review from the Designated Head of Internal Audit and the Audit Services Manager.

2.4.4 The Committee also received updates on the progress against Audit recommendations and monitors closely where these are not completed to a satisfactory level.

2.4.5 As of the date of this meeting, the Committee had received fourteen final reports with the following assurance levels.

<u>Assurance Level</u>	<u>Number of Final Reports</u>
Substantial	0
Reasonable	7
Partial	2
n/a	4
Total	13

2.4.6 As at the date of this meeting, 52% (14 of 27) of planned reviews have been finalised to draft stage and all but one remaining review is in progress.

2.4.7 The Committee concentrates its attention to high priority recommendations made in reports. Where a report carries a partial assurance level, the Committee usually receives a verbal update from the relevant Chief Officer or Service Manager to outline how the review is being dealt with and how the assurance can be improved. Where a partial assurance is given, the Internal Audit team will perform a formal follow up within six months and report back to the Audit Committee to outline how recommendations have been implemented and whether the assurance level has increased.

2.4.8 The Internal Audit team operate under the guidelines laid down by the Public Sector Internal Audit Standards and the Council also has an Audit Charter in place that is brought to the Committee for approval annually.

2.4.9 Internal Audit also provide assurance through an Annual Report that the Council's overall control environment is satisfactory and whether any key weaknesses should be addressed in the Annual Governance Statement. This report was received in July 2021 and highlighted no new areas of concern.

## **2.5 Accounts**

- 2.5.1 The Committee considered the Council's final statement of accounts for 2019/20 at its May meeting and the final statement of accounts for 2020/21 at its November meeting with both meetings also receiving the External Auditor's Audit Findings Reports.
- 2.5.2 The External Auditor also reported whether the Council has proper arrangements in place for securing Value for Money. This is considered on the agenda of the Audit Committee on 23 March 2022.
- 2.5.4 The Committee will receive the Annual Audit Letter once the audit is concluded.

## **2.6 Corporate Governance**

- 2.6.1 The Committee is responsible for ensuring the Council meets the requirements of the Code of Corporate Governance and the Good Governance Principles. The CIPFA/SOLACE document 'Delivering Good Governance in Local Government: Framework's core principle is that local government develop and shapes its own approach to governance. The Council has a Local Code of Corporate Governance and Good Governance Principles which the Committee have previously reviewed.

## **2.7 Treasury Management**

- 2.7.1 The Audit Committee has responsibility for monitoring the Council's arrangements for Treasury Management and received reports for scrutiny on a quarterly basis, together with consultation on the proposed Treasury Management Strategy Statement.
- 2.7.2 The Committee take a keen interest in Treasury Management matters and question Officers around the security of the Council's investments and its approach to capital financing.

## **2.8 Risk Management Monitoring**

- 2.8.1 The Committee has received regular updates on the risk management process and that the corporate risk register is being looked at on a regular basis. It is not the Committee's duty to determine that risks are being correctly identified and managed, more that the process of monitoring risks is being adhered to and that regular updates on risk management are given to the Executive and Scrutiny Panels where appropriate.

## **2.9 Fraud Prevention and Whistleblowing**

- 2.9.1 The promotion of fraud awareness is important to Audit Committee Members who encourage officers in their efforts. Any incidences of fraud are reported to the Committee through the Internal Audit quarterly reports.

### **3. Conclusion and reasons for recommendations**

- 3.1 Audit Committees are a key component of an authority's governance framework. The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3.2 The Audit Committee's annual report (together with the Audit Committee Minutes which are reported to Council throughout the year) provides the Council with information to show how the Audit Committee has fulfilled its role during the year and provides independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.
- 3.3 Covid restrictions on workplace practices have forced some delays which have been largely overcome by the hard work of the officers and external auditors. My thanks to them along with the Vice Chair and the Committee for their support and understanding.

### **4. Contribution to the Carlisle Plan Priorities**

- 4.1 The Audit Committee ensures that an effective governance framework is in place to underpin the delivery of Carlisle City's Priorities.

#### **Contact details:**

Contact Officer: Steven Tickner Ext: 7280

#### **Appendices attached to report:**

**Appendix A Rules of Governance**  
**Appendix B Audit Committee Agendas**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

#### **Corporate Implications:**

**Legal** - The administration of the Council and its financial transactions must be subject to some form of check and accountability. In addition to political accountability through elected members and central government, and judicial review through the courts, there is accountability and control through the audit system. Internal audit controls are governed mostly by the non-statutory codes of practice developed by the profession. External audit controls are subject to a much greater body of law and, while always important, became more extensive in recent years. This Report forms part of our Governance procedure to provide reassurance that the Council operates properly and that there are checks in place to ensure maintain and improve that position.

**Property Services** - None

**Finance** - It is best practice for the Chair of the Audit Committee to prepare an Annual Report outlining the work undertaken by the Audit Committee during the year.

**Equality** - None

**Information Governance** - There are no information governance implications with this report

**RULES OF GOVERNANCE****1. STATEMENT OF PURPOSE**

- 1.1 The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

**2. TERMS OF REFERENCE****2.1 Audit Activity**

To consider the Designated Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

To consider summaries of specific internal audit reports as requested.

To consider reports dealing with the management and performance of the providers of internal audit services.

To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To liaise with Public Sector Audit Appointments Ltd over the appointment of the Council's external auditor.

To commission work from internal and external audit.

**2.2 Regulatory Framework**

To maintain an overview of the Council's Constitution in respect of Contract Procedure Rules, Financial Regulations and relevant Codes of Conduct.

To review any issue referred to it by the Town Clerk and Chief Executive or a Chief Officer, or any Council body.

To monitor the effective development and operation of risk management and corporate governance in the Council.

To monitor Council policies on "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

To oversee the production of and approve the authority's Annual Governance Statement.

To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

To consider the Council's compliance with its own and other relevant published standards and controls.

### **2.3 Accounts**

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

To approve the Annual Statement of Accounts, income and expenditure and balance sheet. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To approve the Letter of Representation

## **3. ACCOUNTABILITY**

3.1 The Audit Committee shall be a stand-alone Committee of the Council. All Audit Committee members shall act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.

3.2 The Chair of the Audit Committee shall be appointed by the Committee. The Chair and the Committee shall ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny Panels and Regulatory Committees or the full Council.

3.3 The Chair of the Audit Committee shall present an Annual Report on the work of the Audit Committee to the full Council.

## **4. AUTHORITY AND ACCESS**

4.1 The Audit Committee has a right to request relevant information from appropriate or relevant Members and Officers of the Council.

4.2 The Audit Committee shall not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny Panels and other Regulatory Committees.

4.3 The Audit Committee shall have access to in-house financial, legal and any other professional advice necessary to carry out its functions.

4.4 The Chair of the Audit Committee and the external and internal auditor shall meet as necessary and the Council's Designated Head of Internal Audit shall provide necessary services and support and assistance to the Audit Committee.

4.5 Any Member, Officer or member of the public who has any concern covered by the Terms of Reference of the Audit Committee may raise the matter with the Chair of the Committee who shall obtain, if necessary, relevant advice from the Council's Monitoring Officer or the Section 151, Corporate Director of Finance and Resources before taking any action with regard to the same.

## **5. MEMBERSHIP**

5.1 Audit Committee members shall be appointed by the Council and consist of 7 members in accordance with the rules governing political balance. No member of the Executive and no chair of the Overview and Scrutiny Panels shall be eligible to be a member of the Audit Committee.

- 3.1 The Audit Committee shall be provided with administrative support by the Governance & Regulatory Services Directorate and reports/decisions of the Audit Committee shall be recorded and published on CMIS in the usual way. Financial Services shall provide technical support to the Committee when required. As the decisions of the Audit Committee shall not be of an executive nature, the decisions shall not be the subject of a request for call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chair of the Audit Committee, the Monitoring Officer and/or the Section 151 Finance Officer and/or ask an oral question of the Chair of the Audit Committee at the Council meeting in accordance with the relevant Council Procedure Rules.

## **6. ATTENDANCE**

- 6.1 The Audit Committee shall meet on a regular basis as provided for in paragraph 7 below. Officers and others may attend all or part of the meeting at the invitation of the Committee. Attendees may include:

- The Leader or Deputy Leader
- The Portfolio Holder for Finance
- Portfolio Holders
- Town Clerk and Chief Executive
- Corporate Director of Finance and Resources (Section 151)
- Corporate Director of Governance and Regulatory Services (Monitoring Officer)
- Designated Head of Internal Audit
- Other Chief Officers and Managers, as required

- 6.2 Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Audit Committee shall at least annually meet:
- (i) in private, with the external and internal auditors together; and/or
  - (ii) in private, with the external auditor.

## **7. MEETINGS**

- 7.1 The Audit Committee shall meet at least four times a year in accordance with the schedule of meetings agreed by the Council. The External Auditor or the Designated Head of Internal Audit may request a meeting if they consider it necessary and other special meetings may be called in accordance with the Council's Procedure Rules.

- 7.2 The members of the Audit Committee shall commit to receiving appropriate training and development necessary to fulfil their roles.

## **8. QUORUM**

- 8.1 The quorum for any meeting shall be one quarter of the elected members of the Committee, subject to there being not less than two elected members present at any time.

## **9. WORK PROFILE OF THE AUDIT COMMITTEE**

- 9.1 In furtherance of the Terms of Reference and not otherwise, the Audit Committee is likely to receive and advise upon the following areas of work:

- Whether there is an appropriate culture of risk management and related control throughout the Council;
- the Annual Governance Statement;

- the annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit;
- significant changes required to Financial Procedure Rules and the Contracts Procedure Rules.
- the framework and processes for risk assessment, analysis and management within the Council;
- the effective co-ordination between internal and external audit;
- the budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee; and
- generally, on how the Audit Committee could add value to the work and operation of the Council.

## 9.2 External Audit and Inspection Agencies

- To note the fees and terms of engagement of the external auditor.
- To review the planned programme of work with the external auditor.
- To consider the annual statutory audit and to advise the Executive on any response to any audit management letters, reports and investigations, including Value for Money studies and other inspection reports.
- To review whether agreed external or internal audit or inspection recommendations have been implemented by the Executive as timetabled.
- To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations.
- To review the external auditor's independence and objectivity and annually appraise the Executive on the effectiveness and value for money of the external audit service.

## 9.3 Corporate Governance Framework

- To review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management.
- To give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.
- To review the Annual Governance Statement and make appropriate recommendations to the Council, the Executive, the Overview and Scrutiny Panels and Regulatory Committees.
- To ensure that any significant weaknesses identified are remedied.
- To commission, if necessary, any relevant investigations into matters of particular concern relating to internal control.

- To ensure that the impact of any alleged or fraudulent activity on the Council's framework of internal control is reviewed and, where necessary, to recommend changes to strengthen the control framework.
- To receive reports relating to those aspects of whistle blowing or alleged or actual fraudulent activity which relate to the Terms of Reference of the Audit Committee.

#### 9.4 Internal Audit

To review and make recommendations to the Executive regarding:

- The effectiveness of internal audit;
- the internal audit function to ensure it is adequately resourced;
- the internal audit strategy, annual plan and to monitor delivery of the plan;
- any internal audit protocols and policies;
- significant audit findings, together with the response from managers to these reports;
- any difficulties encountered by internal audit including any restrictions on the scope of activities or access to required information;
- agreed internal audit recommendations to ensure they are implemented by management as timetabled; and
- the annual report from the Designated Head of Internal Audit.

#### 9.5 Other

- To consider and make recommendations to the Executive on:
- the selection and terms of appointment of other appropriate advisors and consultants;
- governance issues relating to the operation of the Audit Committee, and
- the proportionality, independence, and appropriateness of any of the Council's policies relating to any audit or governance matters;
- such other matters of an audit, financial or governance nature as fall within the terms of reference of the Committee or as may be referred by the Council.

**Audit Committee Agenda's**

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

- A1. External Audit Findings for Carlisle City Council
- A2. Statement of Accounts 2019/20
- A3. Letter of Representation 2019/20
- A4. Housing Subsidy Grant Letter 2019/20

8<sup>th</sup> July 2021

- A1. Minutes of Business & Transformation Scrutiny Panel
- A2. Audit Fee Letter 2020/21
- A3. Draft Statement of Accounts – Update Report
- A4. Treasury Management Outturn 2020/21
- A5. Internal Audit Progress 2020/21 (March – June)
  - Internal Audit Report – Debtors
  - Internal Audit Report – Economic Development – Major Funding Governance
  - Internal Audit Report – Homeless Accommodation (Part 2)
  - Internal Audit Report – Payroll
  - Internal Audit Report – Electoral Registration
  - Internal Audit Report – Environmental Strategy Baseline (Follow Up)
  - Internal Audit Report – Business Grants Covid 19 (Fraud)
  - Internal Audit Report – Housing Benefits (including Revenue Recovery)
  - Internal Audit Report – Driver Checks (Follow Up)
  - Internal Audit Report – ICT Various Recommendations (Follow Up)
- A6. Internal Audit Progress April to June 2021/22
- A7. Internal Audit Annual Report 2020/21
- A8. Technical Update and Consultations

28<sup>th</sup> July 2021

- A1. Annual Audit Letter 2019/20
- A2. External Audit Plan 2020/21
- A3. Draft Annual Governance Statement 2020/21
- A4. Draft Statement of Accounts 2020/21

24<sup>th</sup> September 2021

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. External Audit Progress Report and sector update
- A3. Internal Audit Progress Report 2021/22 (July to September)
  - Internal Audit Report – Community Services
  - Internal Audit Report – Third Sector Grant Funding
- A4. Treasury Management April – June 2021

- A5. Technical Update and Consultation Responses
- B1. Outstanding Audit Recommendations (ICT)

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

- A1. External Audit Findings Report
- A2. Statement of Accounts 2020/21
- A3. Letter of Representation 2020/21

10<sup>th</sup> December 2021

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. Value for Money Update
- A3. Internal Audit Progress 2021/22 (October – November)
  - Internal Audit Report – Corporate Internal Controls
  - Internal Audit Report – Environmental Strategy
  - Internal Audit Report – Disabled Facilities Grants
  - Internal Audit Report – Neighbourhood Services (Culture)
- A4. Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23
- A5. Treasury Management Quarter 2 2021/22 and forecasts 2022/23 to 2026/27
- A6. Statement of Accounts 2021/22 – Update
- A7. Local Audit and Accountability Act 2014 – Appointment of External Auditors
- B1. Annual Review of Counter Fraud Arrangements

23<sup>rd</sup> March 2022

- A1. Minutes of Business and Transformation Scrutiny Panel
- A2. External auditor's annual report – value for money 2020/21
- A3. Audit Committee Annual Report
- A4. Internal Audit Progress 2021/22 (December 2021 to February 2022)
- A5. Internal Audit Plan 2022/23
- A6. Treasury Management October to December 2021
- A7. Technical Update and Consultations
- B1. Technical Update and Consultations Appendices
- B2. Risk Based Verification Policy Review

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**EXCERPT FROM THE MINUTES OF THE  
AUDIT COMMITTEE  
HELD ON 23 MARCH 2022**

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

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

A Member proposed the following amendments to the report:

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

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

The Chair undertook to incorporate the changes.

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

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

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

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