



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 28 NOVEMBER 2018
Venue: LANCASTER TOWN HALL
Time: 6.10 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of meeting held on 24th July 2018 (previously circulated).

3. **Items of urgent business authorised by the Chairman**

4. **Declarations of Interest**

To receive declarations by Members of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Regulation of Investigatory Powers (RIPA) policy** (Pages 1 - 21)

Report of the Information Governance Manager

6. **Internal Audit Monitoring** (Pages 22 - 29)

Report of the Internal Audit and Assurance Manager

7. **Audit Committee Effectiveness** (Pages 30 - 35)

Report of the Internal Audit and Assurance Manager

8. **Local Government Ombudsman Annual Review Letter 2018** (Pages 36 - 40)

Report of the Internal Audit and Assurance Manager

9. **Annual Audit Letter 2017/18** (Pages 41 - 48)

Report of KPMG

10. **Fee Letter 2018/19** (Pages 49 - 50)

Report of Deloitte

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Abbott Bryning (Chairman), Colin Hartley (Vice-Chairman), Nathan Burns, Brett Cooper, Oliver Robinson, Malcolm Thomas and Nicholas Wilkinson

(ii) Substitute Membership

Councillors Alan Biddulph (Substitute), Tim Hamilton-Cox (Substitute), Brendan Hughes (Substitute), Roger Mace (Substitute) and John Wild (Substitute)

(iii) Queries regarding this Agenda

Please contact Sarah Moorghen, Democratic Services - telephone 01524 582132, or email smoorghen@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582170, or alternatively email democraticsupport@lancaster.gov.uk.

SUSAN PARSONAGE,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on Tuesday 20th November 2018.

AUDIT COMMITTEE**28 November 2018****Regulation of Investigatory Powers (RIPA) policy****Report of Information Governance Manager****PURPOSE OF REPORT**

This report seeks to advise Members of the current process relating to the RIPA Policy, advise of the required changes in relation to the updated data protection legislation and the new senior management structure and to request that the current process be changed in order to streamline its use.

This report is public

RECOMMENDATIONS

- (1) That the Audit Committee approve the changes made to the RIPA policy.**
- (2) That Audit Committee remain responsible for the approval of this policy when revisions are scheduled to be made and they continue to be updated on the use of RIPA and CHIS to conduct direct surveillance.**

1.0 Introduction

- 1.1 Part II of the Regulation of Investigatory Powers Act 2000 (RIPA) governs public authorities' use of covert surveillance and of 'covert human intelligence sources' (CHIS). The legislation was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively. Public bodies are required to formally establish responsibility for approving RIPA authorisations.
- 1.2 Under the current policy, the process for obtaining RIPA authorisations across the council is delegated to a number of different officers with the central register being held and maintained by Internal Audit. It is felt that having the RIPA register and RIPA forms kept in two different departments increases the risk of the information being inaccurate and authorisations or renewals being missed. In addition, the policy is only available on the 'Internal Audit' screen of the intranet and so it is also recommended that the policy be made more easily available from other locations on the intranet so that it is easier to locate, and officers are aware of their obligations under RIPA. (e.g. linked to the Legal and Health and Housing (Enforcement)).
- 1.3 In light of the above and given the recent senior management restructure and the changes in data protection legislation, the opportunity has been taken to review the council's RIPA policy which was last reviewed and approved by the Audit Committee in January 2015.

2.0 Recent Activity and Performance

2.1 The Council has never authorised the use of a CHIS. The use made of RIPA in recent years to authorise directed surveillance is summarised in the following table. The table demonstrates that the Council has continued to take a measured approach to its use of RIPA.

	Number of authorisations					
	2013	2014	2015	2016	2017	2018
Total of Directed Surveillance Authorisations	0	1	0	0	0	0

3.0 Proposal Details

3.1 Following a comprehensive review by the Monitoring Officer and the Information Governance Manager a number of minor incidental changes have been made, however the main change to the policy is as follows;

- It is recommended that the Director of Corporate Services, with direct delegation to the Monitoring Officer, be the sole point of contact throughout the authority for the grant of RIPA or CHIS authorisations. This includes having responsibility for the register. This will ensure that there is appropriate ownership of the task and consistent access to the relevant expertise and guidance to ensure that authorisations are being made for the correct reasons.

3.2 A new policy document is attached at Appendix A for approval.

4.0 Details of Consultation

4.1 The Monitoring Officer and Legal Services have been consulted in compiling this report.

5.0 Options and Options Analysis (including risk assessment)

5.1 There are no other options available. It is necessary to carry out a regular review of the RIPA Policy to ensure it supports the council's officers when carrying out covert surveillance.

6.0 Conclusion

6.1 Streamlining the process and providing a single point of contact for authorisations will make it easier for the council's services to engage appropriately with their requirements under RIPA.

**CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

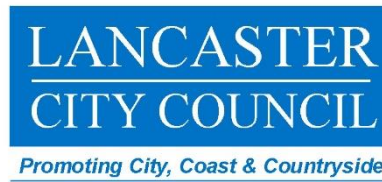
None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted during the review of this policy and suggested amendments have been taken into consideration when drafting this policy.

BACKGROUND PAPERS

Contact Officer: Amy Holland
Telephone: 01524 582205
E-mail: aholland@lancaster.gov.uk
Ref:



THE REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY AND PROCEDURE

Document Control

Approved by:		Date:	
Document location:			
Document owner:			
Review period:			
Next review date:			

Revision History

Version	Date	Reviewed By	Amendment Details

CONTENTS

1	Purpose.....	7
2	Introduction	7
3	Office of the Surveillance Commissioner	9
4	Statement of Intent.....	9
5	Part 1: An explanation of the Key Provisions of RIPA.....	9
5.1	What is meant by ‘surveillance’?.....	9
5.2	When is surveillance “covert”?.....	9
5.3	What is ‘directed surveillance’ or when is surveillance ‘directed’?	9
5.4	Is it for the purposes of a specific investigation or operation?	10
5.5	Is it in such a manner that it is likely to result in the obtaining of private information about a person?.....	10
5.6	What is meant by ‘intrusive surveillance’ or when is surveillance ‘intrusive’?	10
5.7	Why is it important to distinguish between directed and intrusive surveillance? ...	11
5.8	What is a ‘covert human intelligence source’ (CHIS)?.....	11
6	Part 2: General Authorisation Requirements	12
6.1	The authorisation requirements	12
6.2	Who can authorize the use of covert surveillance?	12
6.3	Justification for covert surveillance	12
6.4	CHIS – additional requirements	13
6.5	Collateral Intrusion.....	13
6.6	Local community sensitivities.....	14
7	Part 3: Directed Surveillance Authorisation Requirements.....	14
7.1	Applications for directed surveillance authorisation.....	14
7.2	Duration of directed surveillance authorisations	14
7.3	Reviews of directed surveillance authorisations.....	14
7.4	Renewals of directed surveillance authorisations.....	14
7.5	Cancellation of directed surveillance authorisations.....	15
7.6	Ceasing of surveillance activity	15
7.7	Urgent Cases.....	15
7.8	Confidential Information.....	15
8	Part 4: CHIS Authorisation Requirements	16
8.1	Duration of CHIS authorisations	16
8.2	Renewal of CHIS Authorisations.....	16
8.3	CHIS Forms.....	16
8.4	Vulnerable Adults	16
8.5	Juvenile Sources	16
9	Part 5: Other Authorisation Requirements	17
9.1	Retention and destruction of the product of surveillance	17
9.2	Acting on behalf of another	17
10	Part 6: Practical Application of RPIA.....	18
10.1	Who is affected by RIPA?	18
10.2	‘General observation vs. ‘systematic surveillance’	18
10.3	‘Covert’ vs. ‘overt’ surveillance.....	18
10.4	CCTV	19
10.5	Recognising a CHIS	19
10.6	“... establishing or maintaining a personal or other relationship.....”	19
10.7	Simple test purchase transactions	19
10.8	Use of DAT recorders	20
10.9	RIPA forms	20
10.10	Role of Chief Officers/Authoring Officers	20
10.11	How to access RIPA documents?.....	20

1 Purpose

The purpose of this policy is to:

- explain the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA);
- provide guidance and give advice to those Services undertaking covert surveillance; and
- ensure full compliance with RIPA and a Council-wide consistent approach to its interpretation and application.

2 Introduction

RIPA came into force on 25th September 2000 to regulate covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.

Lancaster City Council is therefore included within the 2000 Act framework with regard to the authorisation of both Directed Surveillance and the use of Covert Human Intelligence Sources (CHIS)

In summary RIPA requires that when a Council undertakes "directed surveillance" or uses a "covert human intelligence source" these activities must only be authorised by an officer with delegated powers when the relevant criteria are satisfied. In addition, amendments contained in the Protection of Freedoms Act 2012, which took effect on the 1st November 2012, mean that local authority authorisations, and renewals of authorisations under RIPA, can only take effect once an order approving the authorization (or renewal) has been granted by a Justice of the Peace (district judge or lay magistrate) (JP).

Authorisation for both types of surveillance may be granted only where it is believed that the authorisation is necessary, and the authorised surveillance is proportionate to that which is sought to be achieved:

An authorisation may be granted only where the Authorising Officer believes that the authorisation is necessary in the circumstances of the particular case:

"For the purpose of preventing and detecting crime and disorder"

However, amendments which took effect on the 1st November 2012 mean that a local authority may only authorise use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months' imprisonment or are related to the underage sale of alcohol and tobacco. Local authorities cannot authorise directed surveillance for the purpose of preventing disorder unless this involves a criminal offence punishable by a maximum term of at least 6 months' imprisonment. These amendments are referred to as "the crime threshold".

The background to RIPA is the Human Rights Act 1998, which imposes a legal duty on public authorities to act compatibly with the European Convention on Human Rights (ECHR). Article 8(1) of the ECHR gives a right to respect for private and family life, the home and correspondence. However, this is qualified by Article 8(2) which provides that there shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others. RIPA was enacted so as to incorporate the provisions of Article 8(2) in

English law, and to establish a means by which a public authority may interfere with privacy rights in accordance with the law. The objective is to give protection to the Council and any officer involved in an investigation. The scheme of RIPA is to state that an authorisation for covert surveillance shall be lawful for all purposes, but that such an authorisation may only be granted if the authorising officer believes that what is proposed is necessary and proportionate (see paragraphs 35 and 36 below).

If the authorisation procedures introduced by RIPA are followed, they afford protection to the Council and to investigating officers in respect of challenges to the admissibility of evidence, claims under the Human Rights Act 1998, and complaints to the Local Government Ombudsman or the Investigatory Powers Tribunal.

The Act is supported by statutory Codes of Practice, the most recent versions of which were published in 2014 and are available on the Council's intranet. These are the 'Covert Surveillance and Property Interference' Code of Practice and the 'Covert Human Intelligence Sources' (CHIS) Code of Practice. RIPA requires the Council to have regard to the provisions of the Codes which are admissible as evidence in criminal and civil proceedings and must be taken into account by any court or tribunal. However, amendments which took effect on the 1st November 2012 mean that a local authority may only authorise use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months' imprisonment or are related to the underage sale of alcohol and tobacco. Local authorities cannot authorise directed surveillance for the purpose of preventing disorder unless this involves a criminal offence punishable by a maximum term of at least 6 months' imprisonment. These amendments are referred to as "the crime threshold".

The background to RIPA is the Human Rights Act 1998, which imposes a legal duty on public authorities to act compatibly with the European Convention on Human Rights (ECHR). Article 8(1) of the ECHR gives a right to respect for private and family life, the home and correspondence. However, this is qualified by Article 8(2) which provides that there shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others. RIPA was enacted so as to incorporate the provisions of Article 8(2) in English law, and to establish a means by which a public authority may interfere with privacy rights in accordance with the law. The objective is to give protection to the Council and any officer involved in an investigation. The scheme of RIPA is to state that an authorisation for covert surveillance shall be lawful for all purposes, but that such an authorisation may only be granted if the authorising officer believes that what is proposed is necessary and proportionate (see paragraphs 35 and 36 below).

If the authorisation procedures introduced by RIPA are followed, they afford protection to the Council and to investigating officers in respect of challenges to the admissibility of evidence, claims under the Human Rights Act 1998, and complaints to the Local Government Ombudsman or the Investigatory Powers Tribunal.

The Act is supported by statutory Codes of Practice, the most recent versions of which were published in 2014 and are available on the Council's intranet. These are the 'Covert Surveillance and Property Interference' Code of Practice and the 'Covert Human Intelligence Sources' (CHIS) Code of Practice. RIPA requires the Council to have regard to the provisions of the Codes which are admissible as evidence in criminal and civil proceedings and must be taken into account by any court or tribunal.

3 Office of the Surveillance Commissioner

In May 2001 an Inspectorate was formed within the Office of Surveillance Commissioners (OSC) to assist the 'Chief Surveillance Commissioner' keep under review the exercise and performance of the powers and duties conferred or imposed by RIPA. The most recent Procedures and Guidance document was issued by the Chief Surveillance Commissioner in December 2014, and is available on the Council's intranet.

RIPA requires public authorities to disclose or provide to the Chief Surveillance Commissioner all such documents and information as he may require for the purpose of enabling him to carry out his functions.

4 Statement of Intent

The Council's policy and practice in respect of RIPA is to comply fully with the law and strike a fair and proportionate balance between the need to carry out covert surveillance in the public interest and the protection of an individual's fundamental right to privacy. The Council acknowledges that this policy is very much a living document and will be reviewed and updated in line with the best guidance and advice current at the time.

5 Part 1: An explanation of the Key Provisions of RIPA

5.1 What is meant by 'surveillance'?

'Surveillance' includes:

- a) monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- b) recording anything monitored, observed or listened to in the course of surveillance; and
- c) surveillance by or with the assistance of a surveillance device.

5.2 When is surveillance "covert"?

According to RIPA, surveillance is covert if, and only if, it is carried out in a manner that is calculated to ensure that persons who are subject to the surveillance are unaware that it is or may be taking place. If activities are open and not hidden from the subjects of an investigation, the 2000 Act framework does not apply.

5.3 What is 'directed surveillance' or when is surveillance 'directed'?

Surveillance is directed if it is 'covert' but not 'intrusive' (see below) and is undertaken:

- a) for the purposes of a specific investigation or a specific operation;
- b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not that person is specifically identified for the purposes of the investigation or operation); and
- c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought for the carrying out of the surveillance.

Essentially, therefore, directed surveillance is any:

- (1) pre-planned surveillance activity;
- (2) undertaken covertly;

- (3) for the purposes of a specific investigation;
- (4) in such a way that is likely to result in obtaining private information about a person.

5.4 Is it for the purposes of a specific investigation or operation?

For example, are CCTV cameras which are readily visible to anyone walking around a Council car park covered?

The answer is no if their usage is to monitor the general activities of what is happening in the car park. If that usage changes at any time the 2000 Act may apply.

For example, if the CCTV cameras are targeting a particular known individual, and are being used in monitoring his activities, that has turned into a specific operation which will require authorisation.

5.5 Is it in such a manner that it is likely to result in the obtaining of private information about a person?

5.5.1 'Private Information'

In relation to a person, includes any information relating to his private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships. Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration.

If it is likely that observations will not result in the obtaining of private information about a person, then it is outside the 2000 Act framework. However, the use of "test purchasers" may involve the use of covert human intelligence sources see section 10.7

5.5.2 'Immediate response....'

According to the Covert Surveillance Code of Practice, "covert surveillance that is likely to reveal private information about a person but is carried out by way of an immediate response to events such that it is not reasonably practicable to obtain an authorisation under the 2000 Act would not require a directed surveillance authorisation." For example, a police officer would not require an authorisation to conceal himself and observe a suspicious person that he came across in the course of a patrol.

However, if as a result of an immediate response, a specific investigation subsequently takes place, that brings it within the 2000 Act framework.

5.6 What is meant by 'intrusive surveillance' or when is surveillance 'intrusive'?

Surveillance becomes intrusive if the covert surveillance:

- a) is carried out in relation to anything taking place on any 'residential premises' or in any 'private vehicle'; or a "place for legal consultation; and
- b) involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device; or
- c) is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle but is carried out without that device being present on the premises or in the

vehicle, and the device is such that it **consistently provides information of the same quality and detail** as might be expected to be obtained from a device actually present on the premises or in the vehicle.

The definition of surveillance as intrusive relates to the location of the surveillance, and not to other consideration of the nature of the information that is expected to be obtained.

Officers of the Council are unlikely to have access to any “place of legal consultation” but should seek advice from Legal Services on the detailed definition.

5.6.1 ‘Residential premises’

Is defined to include any premises that is for the time being occupied or used by any person, however temporarily, for residential purposes or otherwise as living accommodation. For example, the definition includes hotel rooms. It, however, does not include so much of any premises as constitutes any common area to which a person is allowed access in connection with his use or occupation of any accommodation. For example, a hotel lounge.

5.6.2 ‘Private vehicle’

Means any vehicle which is used primarily for private purposes, for example, for family, leisure or domestic purposes. It therefore does not include taxis i.e. private hire or hackney carriage vehicles.

5.7 Why is it important to distinguish between directed and intrusive surveillance?

It is imperative that officers understand the limits of directed surveillance or, put another way, recognise when directed surveillance becomes intrusive surveillance because **RIPA does not permit local authorities to undertake intrusive surveillance in any circumstances.**

5.8 What is a ‘covert human intelligence source’ (CHIS)?

According to RIPA a person is a CHIS if:

- a) he **establishes or maintains a personal or other relationship** with a person for the **covert purpose** of facilitating the doing of anything falling within paragraph b) or c).
- b) he covertly uses such a relationship to **obtain information** or provide access to any information to another person; or
- c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A CHIS is effectively an inside informant or undercover officer, someone who develops or maintains their relationship with the surveillance target, having the covert purpose of obtaining or accessing information for the investigator.

A **purpose is covert**, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

It is not clear whether ‘**information**’ is restricted to private information in line with directed surveillance. The inference is there, but it is not clear. If in doubt, the Council’s policy is to obtain an authorisation.

RIPA also makes reference to the use of a CHIS which refers to inducing, asking or assisting a person to engage in the conduct of a CHIS, or to obtain information by means of the conduct of such a CHIS.

6 Part 2: General Authorisation Requirements

6.1 The authorisation requirements

RIPA requires that prior authorisation is obtained by all local authorities using directed surveillance and CHIS techniques.

The authorising officer must give authorisations in writing and a separate authorisation is required for each investigation. Any authorisation must also be approved by an order from a JP. The application form for such approval is available on the Council's intranet, but advice should be sought from Legal Services on making an application for judicial approval.

Whilst according to RIPA, a single authorisation may combine two or more different authorisations (for example, directed surveillance and CHIS), the provisions applicable in the case of each of the authorisations must be considered separately. Because combining authorisations may cause confusion, officers must use separate forms for different authorisations.

The purpose of the authorisation is to comply with the Human Rights Act 1998 by providing lawful authority to carry out surveillance. This is why an authorisation must be obtained where the surveillance is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. If the surveillance is then actually carried out in accordance with the authorisation, it will be less open to challenge.

6.2 Who can authorize the use of covert surveillance?

To give effect to RIPA, The Director of Corporate Services has been designated to authorise the use of directed surveillance and CHIS techniques in respect of external investigations and to sanction the use of such covert surveillance in respect of internal officer/Member investigations. This designation can be directly delegated to the Monitoring Officer Any RIPA authorisation must be approved by an order from a JP. The JP will be provided with a copy of the authorisation, and with a partially completed judicial application/order form, which is available on the Council's intranet. Advice should be sought from Legal Services, who will contact the court to arrange the hearing date for the application.

It should also be noted that in accordance with the relevant Regulations, the designation of the Director of Corporate Services to sanction the use of RIPA regulated covert surveillance extends upwards to the Chief Executive.

Ideally, the Authorising Officer should not be responsible for authorising their own activities i.e. those operations/investigations in which they are directly involved. However, the Codes of Practice recognize that this may sometimes be unavoidable, especially in the case of small organisations, or where it is necessary to act urgently.

6.3 Justification for covert surveillance

In order to use covert surveillance (both directed surveillance and a CHIS) lawfully the person granting the authorisation (i.e. the authorising officer) will have to demonstrate that the surveillance is both 'necessary' and 'proportionate' to meet the objective of the prevention or detection of crime or of prevention of disorder. The JP must also be satisfied that the use of the technique is necessary and proportionate.

6.3.1 The 'necessity' test

RIPA first requires that the authorising officer must be satisfied that the authorisation is necessary, in the circumstances of the particular case, for the prevention and detection of crime, or prevention of disorder. This is the only statutory ground on which local authorities are now able to carry out directed surveillance and use a CHIS. For the purposes of the authorisation of directed surveillance, the crime threshold referred to in paragraph 4 above must be met. Covert surveillance cannot be "necessary" unless, in that particular case, there is no reasonably available overt method of discovering the desired information.

6.3.2 The 'proportionality' test

Then, if the activities are necessary, the authorising officer must be satisfied that they are proportionate to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is **excessive** in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair.

6.4 CHIS – additional requirements

In addition, there are further criteria in relation to CHIS authorisations. Namely, that specific arrangements exist to ensure that, amongst other things, the source is independently managed and supervised, that records are kept of the use made of the source, that the source's identity is protected from those who do not need to know it, and that arrangements also exist to satisfy such other requirements as may be imposed by an Order made by the Secretary of State.

RIPA provides that an authorising officer must not grant an authorisation for the use or conduct of a source unless he believes that arrangements exist that satisfy these requirements. In this regard, the particular attention of authorising officers is drawn to paragraph 6.14 of the CHIS Code of Practice concerning the security and welfare of a CHIS and the need to carry out a **risk assessment**.

The Regulation of Investigatory Powers (Source Records) Regulations 2000 (SI No. 2725) details the particulars that must be included in the records relating to each CHIS. The authorising officer should comment on all these aspects in his "comments" box, as he may have to justify the fact that he has taken account of these requirements and made an appropriate provision to comply.

6.5 Collateral Intrusion

Before authorising surveillance, the authorising officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (particularly when considering the proportionality of the surveillance). This is referred to as collateral inclusion, and the following should be considered:

- I. measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the privacy of those not directly connected with the investigation or operation;
- II. an application for an authorisation should include an assessment of the risk of any collateral intrusion and the authorising officer should take this into account, when considering the proportionality of the surveillance;

- III. those carrying out the surveillance should inform the authorising officer if the investigation or operation unexpectedly interferes with the privacy of individuals who are not covered by the authorisation; and
- IV. when the original authorisation may not be sufficient, consideration should be given to whether the authorisation needs to be amended and re-authorised or a new authorisation is required.

6.6 Local community sensitivities

Any person applying for or granting an authorisation will also need to be aware of what the Codes of Practice refer to as “any particular sensitivities in the local community” where the surveillance is taking place or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance.

7 Part 3: Directed Surveillance Authorisation Requirements

7.1 Applications for directed surveillance authorisation

Applications for authorisation to carry out directed surveillance must be made in **writing** using the **standard Application Form** and judicial approval form available on the Council’s intranet.

7.2 Duration of directed surveillance authorisations

A written authorisation granted by an authorising officer, and approved by a JP, will cease to have effect (unless renewed) at the end of a period of **three months** beginning with the day on which it took effect.

7.3 Reviews of directed surveillance authorisations

Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. Particular attention is drawn to the need to review authorisations frequently where the surveillance provides access to ‘**confidential information**’ (see below) or involves collateral intrusion.

Authorisations must be reviewed by the authorising officer therefore **at least monthly** using the **standard Review Form** available on the Council’s intranet to ensure that they remain in force only for so long as it is necessary.

7.4 Renewals of directed surveillance authorisations

If at any time before an authorisation would cease to have effect, the authorising officer considers it necessary for the authorisation to continue for the purpose for which it was given, he may renew it in writing for **a further period of three months** using the **standard Renewal Form** available on the Council’s intranet. The same conditions attach to a renewal of surveillance as to the original authorisation. An order from a JP is required for a renewal in the same way as for an authorisation.

A renewal takes effect at the time at which, or day on which the authorisation would have ceased to have effect but for the renewal. An application for renewal should not be made until **10 working days** before the authorisation period is drawing to an end. However, where renewals are timetabled to fall outside of court hours, for example during a holiday period, care must be taken to ensure that the renewal is completed ahead of the deadline.

Any person who would be entitled to grant a new authorisation can renew an authorisation, but an order from a JP is also required. Authorisations may be renewed more than once, provided they continue to meet the criteria for authorisation.

7.5 Cancellation of directed surveillance authorisations

The authorising officer who granted or last renewed the authorisation **must** cancel it using the **standard Cancellation Form** available on the Council's intranet if he is satisfied that the directed surveillance no longer meets the criteria upon which it was authorised.

Authorisations should not be allowed to simply expire.

Where the authorising officer is no longer available, this duty will fall on the person who has taken over the role of authorising officer or the person who is acting as authorising officer (**see the Regulation of Investigatory Powers (Cancellation of Authorisations) Order 2000; SI No: 2794**).

If the authorising officer is on sick or annual leave or is otherwise unable to cancel the authorisation for good reason, any other officer designated to grant authorisations may cancel the authorisation.

7.6 Ceasing of surveillance activity

As soon as the decision is taken that directed surveillance should be discontinued, the instruction must be given to those involved to stop all surveillance of the subject(s). The date and time when such an instruction was given should be recorded in the notification of cancellation where relevant (see standard cancellation form).

7.7 Urgent Cases

A JP may consider an authorisation out of working hours in exceptional cases. This must be arranged through the court, and two completed judicial application/order forms must be provided so that one can be retained by the JP.

7.8 Confidential Information

RIPA does not provide any special protection for 'confidential information'.

The Codes of Practice, however, do provide additional safeguards for such information. Confidential information consists of matters subject to legal privilege; confidential personal information (information relating to the physical or mental health or spiritual counselling of a person who can be identified from it) or confidential constituent information (relating to communications between a Member of Parliament and a constituent in respect of constituency matters) or confidential journalistic material (material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence). Further details about these categories of confidential information are set out in the Codes themselves, and advice can be obtained from Legal Services.

Special care should be taken if there is a likelihood of acquiring any confidential information. Such authorisations should only be granted in exceptional and compelling circumstances with full regard to the proportionality issues such surveillance raises.

In accordance with the provisions of the Code, in cases where through the use of the surveillance it is likely that confidential information will be acquired, the use of surveillance must be authorised by the Chief Executive.

If, exceptionally, any Council investigation is likely to result in the acquisition of confidential material, officers are required to obtain the prior approval of Legal Services before applying for an authorisation.

If confidential material is acquired during the course of an investigation, the following general principles apply:

- confidential material should not be retained or copied unless it is necessary for a lawful purpose;
- confidential material should be disseminated only where an officer (having sought advice from the Legal Services Manager) is satisfied that it is necessary for a lawful purpose;
- the retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information; and confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

8 Part 4: CHIS Authorisation Requirements

Generally speaking, the authorisation requirements for directed surveillance also apply to a CHIS authorisation. There are, however, some variations, and the crime threshold as set out in paragraph 4 does not apply to a CHIS authorisation.

8.1 Duration of CHIS authorisations

A written CHIS authorisation granted by an authorising officer and approved by a JP, will cease to have effect (unless renewed) at the end of a period of **twelve months** beginning with the day on which it took effect.

8.2 Renewal of CHIS Authorisations

An authorising officer may renew a CHIS authorisation in writing **for a further period of twelve months**. This is subject to approval from a JP.

The same conditions attach to a renewal of surveillance as to the original authorisation. However, before renewing an authorisation for the use or conduct of a CHIS, officers are required to carry out a review of the use made of that source, the tasks given to that source and the information so obtained.

8.3 CHIS Forms

Standard **CHIS Application; Review; Renewal, and Cancellation Forms**, and the **Judicial Approval form** are available on the Council's intranet. Officers are required to use these forms in the appropriate circumstances.

8.4 Vulnerable Adults

In accordance with the CHIS Code of Practice, a '**vulnerable person**' should only be authorised to act as a CHIS in the most exceptional circumstances and must be authorised by the **Chief Executive**. Legal advice should always be sought. A 'vulnerable individual' is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself, or unable to protect himself against significant harm or exploitation.

8.5 Juvenile Sources

Special safeguards also apply to the use or conduct of juvenile sources; that is sources under the age of 18 years. Legal advice should always be sought. On no occasion should the use or conduct of a CHIS under 16 years of age be authorised to give information against his parents or any person who has parental responsibility for him. In other cases, authorisations should not be granted unless the special provisions contained within **The Regulation of Investigatory Powers (Juveniles) Order 2000 (SI No. 2793)** are satisfied.

Authorisations for juvenile sources must be authorised by the **Chief Executive** the duration of such an authorisation is **one month only** instead of the usual twelve months.

9 Part 5: Other Authorisation Requirements

The Codes of Practice provide that a centrally retrievable record of all authorisations should be held by each public authority and regularly updated whenever an authorisation is granted, reviewed, renewed or cancelled. The record should be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners (OSC), upon request. These records will be retained for a period of at least three years from the ending of the authorisation and will comprise of the information prescribed in the Codes.

The Council will also maintain a record of specified documentation relating to authorisations as further required by the Codes.

To give effect to these requirements The Authorising Officer is required to e-mail all completed RIPA forms to the Monitoring Officer within two working days of the grant; review; renewal; or cancellation of the authorisation so that the Council's central recording and monitoring systems can be kept up to date.

The Authorising Officer should however ensure that original RIPA forms are kept on the investigation case file and stored securely.

In addition, the Monitoring Officer will report periodically to Audit Committee with the register of authorisations to enable them to be satisfied that RIPA authorisation requirements are being complied with.

9.1 Retention and destruction of the product of surveillance

Where the product of surveillance could be relevant to pending or future criminal or civil proceedings, it should be retained in accordance with established disclosure requirements for a suitable period, commensurate to any subsequent review.

The Codes of Practice draw particular attention to the requirements of the code of practice issued under the **Criminal Procedure and Investigations Act 1996**. This requires that material which is obtained in the course of a criminal investigation and which may be relevant to the investigation must be recorded and retained.

Where material is obtained by surveillance, which is **wholly unrelated** to a criminal or other investigation or to any person who is the subject of the investigation, and there is no reason to believe it will be relevant to future civil or criminal proceedings, it should be **destroyed immediately**. Consideration of whether or not unrelated material should be destroyed is the responsibility of the authorising officer.

There is nothing in RIPA which prevents material obtained from properly authorised surveillance from being used in other investigations. Each Service must ensure that arrangements are in place for the handling, storage and destruction of material obtained through the use of covert surveillance. Authorising officers must ensure compliance with the appropriate data protection requirements relating to the handling and storage of material.

9.2 Acting on behalf of another

In cases where one agency is acting on behalf of another, it is usually for the tasking agency to obtain or provide the authorisation. For example, where surveillance is carried out by the Police with the use of the Council's CCTV systems, an authorisation must be obtained by the Police.

10 Part 6: Practical Application of RPIA

10.1 Who is affected by RIPA?

As the Council has already recognised in respect of the application of the **Human Rights Act 1998**, RIPA will impact on the enforcement activities of all the Council's regulatory Services, but, in the case of authorisations for directed surveillance, the crime threshold referred to in paragraph 4 must be met. This means that directed surveillance will no longer be able to be used in some investigations where it was previously authorised, e.g. dog fouling. However, this does not mean that it will not be possible to investigate these matters with a view to stopping offending behaviour. Routine patrols, observation at trouble "hotspots", immediate response to events and overt use of CCTV are all techniques which do not require RIPA authorisation.

A public authority may only engage RIPA when in performance of its "core functions" in contrast to the "ordinary functions" which are undertaken by all authorities (e.g. employment and contractual matters). Accordingly, the disciplining of an employee is not a core function, although related criminal investigations may be.

10.2 'General observation vs. 'systematic surveillance'

According to the Covert Surveillance Code of Practice "General observation duties of many law enforcement officers and other public authorities do not require authorisation under the 2000 Act". For example, police officers will be on patrol to prevent and detect crime, maintain public safety and prevent disorder or trading standards or HM Customs and Excise officers might covertly observe and then visit a shop as part of their enforcement function to verify the supply or level of supply of goods or services that may be liable to a restriction or tax. Such observation may involve the use of equipment to merely reinforce normal sensory perception, such as binoculars, or the use of cameras, where this does not involve systematic surveillance of an individual.

The clear view expressed therefore is that usually low-level activity such as general observation will not be regulated under the provisions of RIPA provided it does not involve the systematic surveillance of an individual. That said, the determination of what constitutes 'general observation' on the one hand and 'systematic surveillance' on the other is a question of fact, the determination of which is not always straightforward and depends on the particular circumstances of an individual case.

In practice, the issue will turn on whether the covert surveillance is likely to result in obtaining any information in relation to a person's private or family life, whether or not that person is the target of the investigation or operation. If in doubt you are strongly recommended to obtain an authorisation.

10.3 'Covert' vs. 'overt' surveillance

In accordance with the Council's usual practice, wherever possible and appropriate Services should give advance warning of their intention to carry out surveillance. This is because the provisions of RIPA regulate the use of covert surveillance only. In some cases, a written warning may itself serve to prevent the wrongdoing complained of.

However, in order to properly put a person on notice that he is or may be the subject of surveillance, the notification letter must be couched in sufficiently precise terms so that he knows what **form** the surveillance will take (i.e. record of noise; photographs etc.). In fact, in line with directed surveillance requirements, notification letters should state **how long** the surveillance is likely to last (which should not be longer than three months); the necessity for the surveillance should be **reviewed at least monthly**; if it is necessary to continue the surveillance beyond the initial specified period a **renewal letter** should be sent to the 'noisy' neighbour, for example, and he should be informed when the surveillance has ceased.

It is also important to instruct the investigating officer not to exceed the limits of the 'surveillance' he has been asked to carry out.

Whilst it is accepted that the definition of 'covert' set out in RIPA could be interpreted very broadly, it is suggested that whether the surveillance activity is covert or not depends on the investigator's intention and conduct. If there is some element of **secrecy** or **concealment** the activity is likely to be covert.

Wherever possible or appropriate, officers should be **open; obvious and overt**.

10.4 CCTV

Overt CCTV systems used for general purposes are not usually regulated by RIPA (but CCTV in general is regulated by the Data Protection Act 2018, the GDPR 2016/679 and the CCTV Code of Practice issued by the Office of the Information Commissioner). If, however, CCTV systems are used to **track individuals** or **specific locations** and the surveillance is **pre-planned** (i.e. not an immediate response to events or circumstances which by their very nature, could not have been foreseen) a **directed surveillance** authorisation must be obtained.

10.5 Recognising a CHIS

The provisions of RIPA are not intended to apply in circumstances where members of the public volunteer information to the police or other authorities, as part of their normal civic duties, or to contact numbers set up to receive information (such as Crimestoppers, Customs Confidential, the Anti-Terrorist Hotline, or the Security Service Public Telephone Number). Members of the public acting in this way would not generally be regarded as sources.

However, when an informant gives repeat information about a suspect or about a family, and it becomes apparent that the informant may be obtaining the information in the course of a family or neighbourhood relationship, this probably means that the informant is a CHIS, to whom a duty of care is owed if the information is then used, even though he or she has not been tasked by the authority to obtain information on its behalf.

The use of professional witnesses to obtain information and evidence is clearly covered.

10.6 "... establishing or maintaining a personal or other relationship....."

Whilst the meaning of "...establishing or maintaining a personal or other relationship..." is not clear and is open to interpretation, it is suggested that there has to be some measure of **intimacy** beyond the ordinary conversation. Only if an officer, for example, establishes some measure of **trust and confidence** with the person who is the subject of the surveillance will he be establishing or maintaining a personal or other relationship.

Usually a simple enquiry or a request for general information (i.e. a request for information which would be supplied to any member of the public who enquired) not obtained under false pretences is not likely to be regulated by RIPA.

10.7 Simple test purchase transactions

Whether or not test purchase transactions are regulated by RIPA depends on the circumstances and in particular the conduct of the person carrying out the surveillance. Usually simple covert test purchase transactions carried out under existing statutory powers where the officer involved does not establish a personal or other relationship will not require a CHIS authorisation.

Officers should, however, be wary of the law on ‘**entrapment**’. Whereas officers can in appropriate circumstances, present a seller or supplier, for example, an opportunity which he could act upon, officers cannot ‘incite’ the commission of an offence i.e. encourage, persuade or pressurise someone to commit an offence.

10.8 Use of DAT recorders

If it is appropriate to do so, Environmental Health officers, and to a much lesser extent Council Housing officers, use a recorder to monitor noise levels (usually at residential premises) following noise nuisance complaints. Whilst the recorder is installed by officers, the complainant decides when to switch the recorder on and off.

The covert recording of suspected noise nuisance where the intention is only to record excessive noise levels from adjoining premises, and the recording device is calibrated to record only excessive noise levels, may not require an authorisation, as the perpetrator would normally be regarded as having forfeited any claim to privacy.

That said, a Digital Audio Tape (DAT) recorder is a sophisticated piece of monitoring equipment and if used covertly may constitute directed surveillance. In general, a letter is sent to the person who is to be the subject of the surveillance, and this should mean that subsequent surveillance is overt, and an authorisation will not as a matter of course be required. However, if there is any doubt as to whether surveillance is covert, e.g. if any longer than a few weeks has passed since the alleged perpetrator was informed that monitoring might be carried out, and if it is likely that private information will be obtained, then an authorisation should be sought.

10.9 RIPA forms

It is imperative that RIPA forms are completed in full whenever RIPA regulated surveillance activity is planned. The information given must be specific and detailed; must relate to the particular facts of an individual case (i.e. avoid standard wording if at all possible) and must demonstrate that a proper risk assessment has been carried out. Both those who apply for an authorisation and the Authorising Officer should refer to this policy and to the relevant Code of Practice in completing the relevant form,

10.10 Role of Authoring Officers

The Authorising Officer is required to ask themselves: “Have I got sufficient information to make an informed decision as to whether or not to authorise surveillance activity on the particular facts of this case?” and must recognise that RIPA imposes new and important obligations on those Services affected by RIPA

Authorising officers must be satisfied that there are adequate checks in place to ensure that the surveillance carried out is in line with what has been authorised. Such monitoring should be properly documented as well as the decision-making process in general.

Officers are strongly recommended to read this policy in conjunction with the Covert Surveillance and CHIS Codes of Practice which provide supplementary guidance.

If the surveillance is not properly authorised, the protection offered by RIPA will be lost.

10.11 How to access RIPA documents?

RIPA itself; explanatory notes to RIPA, the Covert Surveillance and CHIS Codes of Practice; RIPA statutory instruments and other RIPA documents are available on the Home Office web-site: <https://www.gov.uk/government/collections/ripa-codes>

Relevant RIPA documents as well as this policy and the Council's standard forms have also been posted on the Council's intranet.

AUDIT COMMITTEE

28 November 2018

Internal Audit Monitoring

Report of Internal Audit and Assurance Manager

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2018/19 Internal Audit plan and seek approval for proposed variations to the plan.

To advise Members of the latest monitoring position regarding the implementation of the Annual Governance Statement (AGS) action plan for 2017/18.

This report is public

RECOMMENDATIONS

- (1) That the latest monitoring position in relation to the audit plan be noted.
- (2) That the proposed revisions to the audit plan set out in 1.4 are approved.
- (3) That the last progress in relation to the AGS action plan for 2017/18 be noted.

1.0 Audit Plan monitoring to 1 November 2018

1.1 The 2018/19 Internal Audit plan was approved by the Audit Committee at its meeting on 21 February 2018. This report is based on the monitoring position up to 1 November 2018. Details of the required amendments to the audit plan since its original approval is detailed in paragraph 1.4.

1.2 Summary of monitoring position up to 1 November 2018

Category of Audit	Report Status				Comments
	Final Report Issued	Assurance Level	Fieldwork	Draft Report Issued	
Carried forward 2017/18 audit work completed since the Internal Audit Annual Report in May 2018					
Performance Management	May 2018	Limited			Post audit review due Dec 2018
Learning and Development	May 2018	Limited			Post audit review due March 2019

	Report Status				
Category of Audit	Final Report Issued	Assurance Level	Fieldwork	Draft Report Issued	Comments
Main Accounting	July 2018	Substantial			No post audit review necessary
Procurement / Contract Management	Sept 2018	Limited			Post audit review due April 2019
Budgetary Control	Oct 2018	Substantial			No post audit review necessary
Council Housing Voids	A position statement has been issued. It has been agreed that Internal Audit will continue to monitor implementation of the action plan formulated following the report of Ad Esse and will seek periodic assurance that improvements are being sustained.				
Audit Plan 2018/19					
Financial systems work					
Treasury management			✓		
Creditors			✓		
VAT					Will be completed in Q3
Payroll					Will be completed in Q3
Insurance					Will be completed in Q4
Core Management work					
Canal Corridor North (CCN) Health Check	Internal Audit attended the CCN officer group meetings in a project assurance role. However, following negotiations with British Land the scheme was not recommended for Council support and the agreement with British Land was terminated. The Council is now producing a new framework for the Canal Quarter and is in the process of developing consultation plans. It has been agreed that the project assurance role should take the form of regular health checks once the project is underway.				
Council housing assets					See 1.4
Anti-money laundering arrangements	Following external training it has been identified that no work needs to be completed in this area as the changes to the legislation are not relevant to Local Authorities. However, the Money Laundering Policy will be refreshed and officers will be reminded of the requirement to report any suspicious activity to the Money Laundering Reporting Officer.				
Disabled facilities grants	May 2018	Substantial			No post audit review necessary
Pre-employment checks					See 1.4
General Data Protection Regulations compliance work					Will be completed in Q4

	Report Status				
Category of Audit	Final Report Issued	Assurance Level	Fieldwork	Draft Report Issued	Comments
Ethical governance survey	The survey deadline has now closed. The results will be analysed in December 2018 and an action plan to address any weaknesses will be populated by Internal Audit. The findings of this exercise will be reported to the next Audit Committee meeting in February 2019.				
Economic development / regeneration strategy					See 1.4
Election Accounts	Sept 2018	Substantial			No post audit review necessary
Council housing – Gas safety	Oct 2018	Substantial			No post audit review necessary
Council housing – Asbestos management	At the request of the Asset Manager, this piece of work will be rolled into the 2019/20 audit plan to allow the service to move over to a new asset management system.				
White Lund nursery – cash and banking	July 2018	Limited			Post audit review due Dec 2018
Community infrastructure Levy (CIL)	The Council is in the process of reviewing the implications of introducing a CIL charge within the district. Should the study conclude that there is sufficient viability to introduce the charge, the Council will prepare a charging schedule. Internal Audit will keep this issue under review and will consider the scope of an audit once a decision has been made.				
Pest control	A position statement has been issued. Following the approval of the 2018/19 audit plan, discussions with the Pest Control Service have identified that adequate assurances have already been provided by external bodies, therefore an audit was not considered necessary.				
Dog warden service	Nov 2018	Limited			Post audit review due April 2019
Communications	At the request of the Economic Development Manager, this piece of work has been postponed until January 2019 to allow the service to complete work in relation to the 'Place Narrative' launch on 6th December 2018.				
Emergency responses to flooding	This piece of work has been postponed until after the new Director for Economic Growth and Regeneration has joined the Council in January 2019.				
ICT reviews	No ICT work has been identified as requiring completion, therefore the ICT allocation of 15 days has not been utilised to date.				
Revenue shared service financial systems					
Council Tax – Lancaster					Will be completed in Q4
Council Tax – Preston					Preston City Council's Audit Team will complete this piece of work in Q4
Housing Benefits - Lancaster	Aug 2018	Substantial			
Housing Benefits - Preston			✓		

Category of Audit	Report Status				Comments
	Final Report Issued	Assurance Level	Fieldwork	Draft Report Issued	
Other areas of work					
Risk Management and assurance framework					Work in the team is continuing to improve the assurance mapping information collated from individual services. In addition, the operational risk registers populated by the team will continue to be updated following internal intelligence and will be used to drive future audit plans. Risk Management will be the responsibility of the Director of Corporate Resources once appointed. Until this is confirmed, work continues as per previous update in the AGS action plan.
Public Sector Internal Audit Standards (PSIAS) review – work for the peer review assessment team					The Assistant Internal Audit and Assurance Manager formed part of the peer review assessment team which carried out Wyre Council's peer review in April 2018. A final report was issued to the Section 151 Officer at Wyre Council in May 2018.
National Fraud initiative exercise 2018/19					Data files have now been uploaded to the NFI database. The matches will be available in January 2019. Council tax data and the Electoral Register will be uploaded to the NFI databases in December 2018, with the matches being available immediately. The Corporate Fraud Manager will report on the findings in his annual report to the Audit Committee.
Supporting Corporate Enquiry Team					No specific work has been completed since 1 April 2018, however the team continue to support the team as and when needed.

1.3 There are two pieces of work that were rolled from the 2017 / 18 audit plan that still need to be completed;

- Financial Planning and Medium Term Financial Statement (MTFS) – this piece of work was started in September 2018, however was put on hold due to the imminent changes in the Finance Section regarding the departure of both the Section 151 Officer and the Head of Finance. This piece of work will now be rolled into the 2019/20 audit plan once the new Section 151 Officer is in post; and
- Green waste collection – At the request of the Operations Manager, this piece of work has now been rolled into the 2019/20 audit plan to allow the service to complete an exercise around route optimisation.

1.4 Following the resignation of the Assistant Internal Audit and Assurance Manager, the internal audit plan for 2018/19 has been reviewed to ensure the necessary assurances can still be reported in the internal audit annual report on the council's overall control environment. It is anticipated that Fylde Borough Council will assist the team complete the following audits to allow the necessary assurances to be gained;

- Council Housing Assets;
- Pre-employment checks; and
- Economic development / regeneration strategy.

2.0 Investigations / other activity

2.1 To date, there have been no formal investigations carried out during 2018/19 that have required Internal Audit assistance. However, in September 2018 following concerns raised by a Service Manager, Internal Audit carried out a preliminary fact finding exercise to ascertain if a more formal process was required. The issue was dealt with by the Manager in line with the Council's Disciplinary Procedure.

3.0 Annual Governance Statement (AGS) 2017/18 – action plan update

Areas highlighted in the AGS	Position as at June 2018	Position as at November 2018
Business Planning	A revised business planning template has been introduced for 2018-19 alongside the ongoing development of the new Council Plan 2018-22. Finalised business plans will include information on key functions and resources by team and a summarised SWOT analysis.	<p>The Council Plan 2018-22 was approved by Full Council in July 2018.</p> <p>A new business planning template was trialled during 2017-18, to be aligned to the Council Plan and rolled out for 2019-20.</p>
Performance Management	Agreed corporate Key Performance Indicators were reported quarterly to Cabinet and Budget and Performance Panel throughout 2017-18, and a newly introduced 'Review of the Year' was published to reflect the Council's key achievements during 2016-17.	<p>Revised success measures aligned to the Council Plan are in development and are to be introduced gradually during the remainder of 2018-19. The quarterly performance scorecard continues to be developed, with an emphasis on:</p> <ul style="list-style-type: none"> - Timeliness of reporting; - Consistent monitoring against targets; and - Meaningful supporting information. <p>The InFlo reporting tool is being decommissioned and will be replaced by a more integrated solution; an ongoing pilot scheme will be followed by a wider rollout proposal.</p> <p>A refreshed Performance Management Framework will be developed during 2018-19.</p> <p>The Review of 2017-18 has been approved by Cabinet for publishing.</p>

Areas highlighted in the AGS	Position as at June 2018	Position as at November 2018
Risk Management	The Council is in the progress of updating its Risk Management Policy and Strategy, which once completed will be reviewed and submitted to the Audit Committee for approval. Work is underway to strengthen the management and reporting of its key risks, which are linked, to the draft Council Plan. In the meantime, Internal Audit will continue to develop operational service risk registers to prioritise work and develop the audit plan.	Risk Management will be the responsibility of the Director of Corporate Resources once appointed. Until this is confirmed, work continues as per previous update.
Information Governance	Following the independent specialist advice gained in 2017, the Council has been preparing for the General Data Protection Regulations that come into force on the 25 May 2018. Whilst a considerable amount of work has been completed, the recently appointed Information Governance Manager (IGM) has been working through a comprehensive action plan. Although significant progress has been made, the IGM highlighted that there is still a lot of work to be completed to ensure the Council is GDPR compliant.	Work has continued on the action plan. Progress is measured and consistent as other projects needing information governance support are identified and resolved. The Training Plan was finalised and manager, staff and member training is nearing completion. The organisation is still working towards compliance.
Staffing capacity	Staffing capacity was highlighted in the 2016/17 AGS and it is apparent that this is still a concern. Staffing capacity was also highlighted in the Section 151 Officers report on the budget to Council. At the time of publication, the organisation was in the early stages of developing a new senior management structure.	There are still capacity issues within Legal Services. A review has been deferred pending the wider organisational restructure. Capacity in Democratic Services is adequate. The lack of compliance with process in the organisation has resulted in increased inefficiency.
Council's Constitution	Whilst the Council's Constitution is considered to be a functional framework to assist officers and members when making decisions, a full review has not been carried out for some time. Subject to members approval, a constitutional review group will be formed to review the constitution with the objective being to strengthen and improve the administration of the decision making process.	Review underway. A working group has been set up and is reporting to Council on 26 September 2018. An outline timeline for delivery in 2019 has been agreed by the working group.

Areas highlighted in the AGS	Position as at June 2018	Position as at November 2018
Other governance concerns	During 2017/18, other governance concerns have been identified surrounding the council's decision making arrangements. Linked to this, a member resolution has been made to ensure that Section 151 and Monitoring Officer advice is sought at the appropriate time.	This is still a significant concern. New staff induction and the revision of the constitution is required. The skill set and our procedures for governance require reinforcement and training is extant.

4.0 Details of Consultation

4.1 Management Team and Service Managers continue to be consulted in developing the plan.

5.0 Options and Options Analysis (including risk assessment)

5.1 Regarding the internal audit plan changes; the options available to the Audit Committee are either to approve the proposed changes detailed in paragraph 1.4 or to propose an alternative course of action.

6.0 Conclusion

6.1 Changes have been made to the 2018/19 audit plan in respect of internal audit work that will be completed by Fylde Borough Council due to a lack of resources within the team following the resignation of the Assistant Internal Audit and Assurance Manager. The programme of audits for the rest of the year continues to be implemented in consultation with Service Managers.

6.2 A review of the Internal Audit service will be completed by the Section 151 Officer and the Internal Audit and Assurance Manager within the next six months to identify how best to deliver the service going forward. Future proposals will be reported to the Audit Committee to obtain approval.

6.3 The Annual Governance Statement action plan will continue to be monitored by Internal Audit and Management Team.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>Not applicable</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>None directly arising from this report</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>The Section 151 Officer has been consulted and has no further comments</p>	
<p>LEGAL IMPLICATIONS</p> <p>None directly arising from this report</p>	
<p>MONITORING OFFICER'S COMMENTS</p> <p>The Monitoring Officer has been consulted and has no further comments</p>	
<p>BACKGROUND PAPERS</p> <p>Internal Audit Plan 2018/19 Annual Governance Statement 2017/18</p>	<p>Contact Officer: Joanne Billington Telephone: 01524 582028 E-mail: jbillington@lancaster.gov.uk Ref:</p>

AUDIT COMMITTEE**28 November 2018****Audit Committee Effectiveness****Report of Internal Audit and Assurance Manager****PURPOSE OF REPORT**

To advise Members of the requirement to complete a regular assessment of the Audit Committees performance and effectiveness and agree an implementation date of the first assessment.

This report is public

RECOMMENDATIONS

- (1) That the report informing the Audit Committee of the requirement to complete a regular assessment of their performance and effectiveness be noted.
- (2) That the Audit Committee agree to use the 'self-assessment of good practice' (Appendix A) contained within the CIPFA publication 'Audit Committees; Practical Guidance for Local Authorities and Police 2018' following the May 2019 elections to assist in demonstrating their effectiveness and performance.
- (3) That the Audit Committee agree to liaise individually with the Internal Audit and Assurance Manager following the May 2019 election to work through CIPFA's 'knowledge and skills framework' to ensure all core requirements are met and any gaps are identified and addressed.
- (4) That the Internal Audit and Assurance Manager develops a record to evidence how the Audit Committee has and will continue to support the organisation and add value in the future.

1.0 Introduction

- 1.1 Audit Committees are a key component of an authority's governance framework. Their function is to provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, reporting on financial and non-financial performance and supporting standards and ethics.
- 1.2 It is sometimes difficult to measure effectiveness, however CIPFA guidance states that Audit Committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business.
- 1.3 A good standard of performance against recommended practice, clear visible evidence of how the committee has added value and assisted the organisation, together with a knowledgeable and experienced membership, are essential for delivering a high performing, effective Audit Committee.
- 1.4 CIPFA's 'Audit Committees Practical Guidance for Local Authorities and Police 2018' offers Local Authorities guidance on the function and operation of an Audit Committee. The guidance incorporates a 'Position Statement' which sets out CIPFA's view on the

role and functions of an Audit Committee (which are reflected in the committee's terms of reference) and also offers guidance on the 'core' areas of knowledge and skills required of its Members and any additional 'specialist' knowledge and skills that adds further value to the committee.

1.5 The guidance also features a 'self-assessment of good practice'. Local Authorities are encouraged not to regard the completion of this as a tick box exercise, as its completion does not mean necessarily that committee is effective. However to use it as a high level review to demonstrate the committee is soundly based and has a knowledgeable membership, therefore meeting the key principles set out in CIPFA's Position Statement.

1.6 In addition to the completion of the self-assessment Local Authorities should also be looking for clear evidence that the committee is actively supporting improvements across the organisation. This can include reviewing risk management, reviewing major projects to ensure governance arrangements are in place and ensuring value for money is included in the assurances provided by the audit team (if applicable). Consideration of these areas alongside the completion of the self-assessment (attached) as well as regular attendance and an active participation at meetings is an effective way to demonstrate the committee's performance and efficiency.

2.0 Public Sector Internal Audit Standards (PSIAS) – peer review

2.1 The PSIAS peer review completed by Allerdale and Burnley Borough Council in February 2018 identified that a review of effectiveness has never been completed at Lancaster City Council and that one should be completed at the earliest opportunity in line with CIPFA guidance but also to provide the necessary assurances to Full Council that any work completed by the committee is effective.

3.0 Proposal Details

3.1 The self-assessment of good practice is attached at Appendix A for information. It is proposed that this be completed by the Internal Audit and Assurance Manager (IAAM) and the Section 151 Officer and then scrutinised by the Audit Committee after the May 2019 elections once the appointment to committees has been completed.

3.2 The committee members will liaise with the IAAM to work through CIPFA's 'knowledge and skills framework' to ensure any gaps in the required 'core' skills and knowledge are addressed. In addition, any 'specialist' knowledge that adds additional value to the Audit Committee will also be documented.

3.3 The IAAM will pull together and maintain a 'live' document which will evidence how the committee has to date supported the improvements across the organisation, but more importantly highlight any gaps or areas for improvements in the future.

4.0 Details of Consultation

4.1 No specific consultation has been undertaken in compiling this report.

5.0 Options and Options Analysis (including risk assessment)

5.1 There are no other options available. The need to carry out a regular review of the Audit Committee's performance and effectiveness is required in accordance with CIPFA guidance and to provide assurance to Full Council that any work completed by the committee is effective.

6.0 Conclusion

6.1 Completion of the tasks listed in the proposal details above will ensure the Audit Committee can demonstrate its performance and effectiveness in fulfilling its delegated responsibilities in providing those charged with governance (Full Council) independent assurance on the adequacy of the organisation's arrangements for managing risk, internal control and financial reporting.

**CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

CIPFA's– Audit Committees Practical
Guidance for Local Authorities and Police,
Public Sector Internal Audit Standards

Contact Officer: Joanne Billington
Telephone: 01524 582028
E-mail: jbillington@lancaster.gov.uk
Ref:

CIPFA self-assessment of Good Practice

Good practice questions		Yes	Partly	No	Comments
Audit Committee purpose and governance					
1	Does the authority have a dedicated Audit Committee?				
2	Does the Audit Committee report directly to Full Council?				
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?				
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?				
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?				
6	Are the arrangements to hold the Audit Committee to account for its performance operating satisfactorily?				
Functions of the Committee					
7	<p>Do the Audit Committee's terms of reference explicitly address all the core areas identified in CIPFA'S Position Statement?</p> <ul style="list-style-type: none"> ▪ good governance ▪ assurance framework ▪ internal audit ▪ external audit ▪ financial reporting ▪ risk management ▪ value for money or best value ▪ counter-fraud and corruption ▪ supporting the ethical framework 				
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?				
9	Has the Audit Committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?				
10	Where coverage of core areas has been found to be limited, are plans in place to address this?				
11	Has the Audit Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?				

Good practice questions		Yes	Partly	No	Comments
Membership and support					
12	Has an effective Audit Committee structure and composition of the Committee been selected? This should include: <ul style="list-style-type: none"> ▪ separation from the executive ▪ an appropriate mix of knowledge and skills among the membership ▪ a size of committee that is not unwieldy ▪ consideration has been given to the inclusion of at least one independent member (where is it not already a mandatory requirement). 				
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full Council.				
14	Does the Chairman of the Audit Committee have appropriate knowledge and skills?				
15	Are arrangements in place to support the Audit Committee with briefings and training?				
16	Has the membership of the Audit Committee been assessed against the <u>core</u> knowledge and skills framework and found to be satisfactory?				
17	Does the Audit Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?				
18	Is adequate secretariat and administrative support to the Audit Committee provided?				
Effectiveness of the Committee					
19	Has the Audit Committee obtained feedback on its performance from those interacting with the committee or relying on its work?				
20	Are meetings effective with a good level of discussion and engagement from all members?				
21	Does the Audit Committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?				
22	Does the Audit Committee make recommendations for the improvement of governance, risk and control and are these acted on?				
23	Has the Audit Committee evaluated whether and how it is adding value to the organisation?				

Good practice questions	Yes	Partly	No	Comments	
24	Does the Audit Committee have an action plan to improve any areas of weakness?				
25	Does the Audit Committee publish an annual report to account for its performance and explain its work?				

AUDIT COMMITTEE**28 November 2018****Local Government Ombudsman's
Annual Review Letter 2018****Report of Internal Audit and Assurance Manager****PURPOSE OF REPORT**

To enable Members to consider the Local Government Ombudsman's Annual Review Letter for the year ending 31 March 2018.

This report is public

RECOMMENDATIONS

(1) That the report is noted.

1.0 Introduction

- 1.1 Members of the public can request the Local Government Ombudsman (LGO) to carry out an independent review if they are not satisfied with a local authority's handling of, or conclusions from a complaint. If the LGO finds the local authority is at fault, he can recommend actions for the local authority to carry out to remedy the fault.
- 1.2 The LGO sends an Annual Review letter to each local authority setting out statistics about complaints that have been referred to him about that authority during the financial year. The LGO also publishes an Annual Review of complaints statistics for all local authorities.

2.0 Annual Review Letter 2018

- 2.1 The LGO's Annual Review Letter for 2018 is appended to this report for Members' information. The LGO received 12 complaints and enquiries against the Council in 2017/18, compared to 15 received in 2016/17.
- 2.2 Members will note that of the 12 complaints and enquires received, no detailed investigations were completed by the LGO during 2017/18 and all 12 cases were either closed with no further action required or referred back to the Council for a local resolution. A list of all the complaints with a summary of decisions is published on the LGO website at: <http://www.lgo.org.uk/decisions/>
- 2.3 A comparison with the other Lancashire district councils suggests that these levels are more in line with the norm and provide a reasonable benchmark to evaluate the Council's future performance in relation to complaints.

3.0 Annual Review of Local Government Complaints

- 3.1 The Ombudsman's overall Annual Review of local government complaints is available online at <http://www.lgo.org.uk/information-centre/reports/annual-review-reports/local-government-complaint-reviews>

4.0 Conclusion

4.1 There are no outstanding actions that require remedial action, therefore the Annual Review letter 2018 appended to this report is for noting purposes only.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None directly arising from this report

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Ombudsman's Annual Review Letter 2018

Contact Officer: Joanne Billington

Telephone: 01524 582028

E-mail: jbillington@lancaster.gov.uk

Ref:

18 July 2018

By email

Susan Parsonage
Chief Executive
Lancaster City Council

Dear Susan Parsonage,

Annual Review letter 2018

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) about your authority for the year ended 31 March 2018. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

Complaint statistics

In providing these statistics, I would stress that the volume of complaints does not, in itself, indicate the quality of the council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. So, I would encourage you to use these figures as the start of a conversation, rather than an absolute measure of corporate health. One of the most significant statistics attached is the number of upheld complaints. This shows how frequently we find fault with the council when we investigate. Equally importantly, we also give a figure for the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. Both figures provide important insights.

I want to emphasise the statistics in this letter reflect the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

Future development of annual review letters

Last year, we highlighted our plans to move away from a simplistic focus on complaint volumes and instead turn focus onto the lessons that can be learned and the wider improvements we can achieve through our recommendations to improve services for the many. We have produced a new corporate strategy for 2018-21 which commits us to more comprehensively publish information about the outcomes of our investigations and the occasions our recommendations result in improvements to local services.

We will be providing this broader range of data for the first time in next year's letters, as well as creating an interactive map of local authority performance on our website. We believe this will lead to improved transparency of our work, as well as providing increased recognition to the improvements councils have agreed to make following our interventions. We will therefore be seeking views from councils on the future format of our annual letters early next year.

Supporting local scrutiny

One of the purposes of our annual letters to councils is to help ensure learning from complaints informs scrutiny at the local level. Sharing the learning from our investigations and supporting the democratic scrutiny of public services continues to be one of our key priorities. We have created a dedicated section of our website which contains a host of information to help scrutiny committees and councillors to hold their authority to account – complaints data, decision statements, public interest reports, focus reports and scrutiny questions. This can be found at www.lgo.org.uk/scrutiny I would be grateful if you could encourage your elected members and scrutiny committees to make use of these resources.

Learning from complaints to improve services

We share the issues we see in our investigations to help councils learn from the issues others have experienced and avoid making the same mistakes. We do this through the reports and other resources we publish. Over the last year, we have seen examples of councils adopting a positive attitude towards complaints and working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

Complaint handling training

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2017-18 we delivered 58 courses, training more than 800 people. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Local Authority Report: Lancaster City Council
For the Period Ending: 31/03/2018

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	2	4	0	0	0	1	5	0	12

Decisions made

Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries
1	1	5	5
Not Upheld		Upheld	
0		0	
Uphold Rate		0%	
Total		12	

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
0	0



Annual Audit Letter 2017/18

Lancaster City Council

August 2018

Section one

Summary for Audit Committee



Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Lancaster City Council (“the Authority”) in relation to the 2017-18 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority’s website.

Audit opinion

We issued an unqualified opinion on the Authority’s financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority’s accounts was set at £2.9 million which equates to around 2.0% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are “clearly trivial”, to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £145,000 for the Authority.

We have identified one corrected audit adjustments with a total value of £7.9 million. This adjustment results in a net decrease of £1.9 million in the reported surplus / deficit on provision of services, but no impact on the General Fund balance.

In reviewing the adjustments made to correct the audit misstatement above, we noted that there were further non-material adjustments which should have been made to the accounts. These adjustments are not material but as they are above our reporting threshold, we reported these in our final report to those charged with governance. The impact of this uncorrected audit misstatement would be to reduce the General Fund balance by £358k.

The Authority incorporated a number of measures into its closedown plan to further improve the timeliness of its accounts closedown process. Specifically, the Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerged. We consider that the overall process for the preparation of the Authority’s financial statements is good.

Our audit work was designed to specifically address the following significant risks:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We considered the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated. We have not identified any material misstatements arising from this significant risk for 2017/18.
- **Pensions Liabilities** – The valuation of the Authority’s net pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We reviewed the processes in place to ensure accuracy of data provided to the Actuary and considered the assumptions used in determining the valuation. We identified audit adjustments relating to the treatment of up-front pension contributions, which are outlined above.

Summary for Audit Committee (cont.)

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

- **Canal Corridor North project and the impact on reserves** – The Canal Corridor North project has not progressed in line with the timescales indicated during our planning. No formal agreements have been made and therefore there has been no formal sign off or agreement of heads of terms. We are aware that British Land are no longer involved in the project and the development agreement has been terminated. There were no outstanding liabilities associated with this termination of contract. The Council will now continue to work to establish a master plan for the area of land later this year. As a result of our work we have not identified any issues that would impact on our VFM conclusion.

High priority recommendations

We raised no priority recommendations as a result of our 2017-18 work.

Certificate

We issued our certificate on 31 July 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017-18 was £58,388 excluding VAT (2017: £58,388), in line with the planned fee for 2017-18. Further detail is contained in Appendix 2.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

Appendices



Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority’s website at www.lancaster.gov.uk.

Certification of Grants and Returns

This letter summarised the outcome of our certification work on the Authority’s 2016-17 grants and returns.

External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority’s financial statements, and to support the VFM conclusion.

Reports to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations.

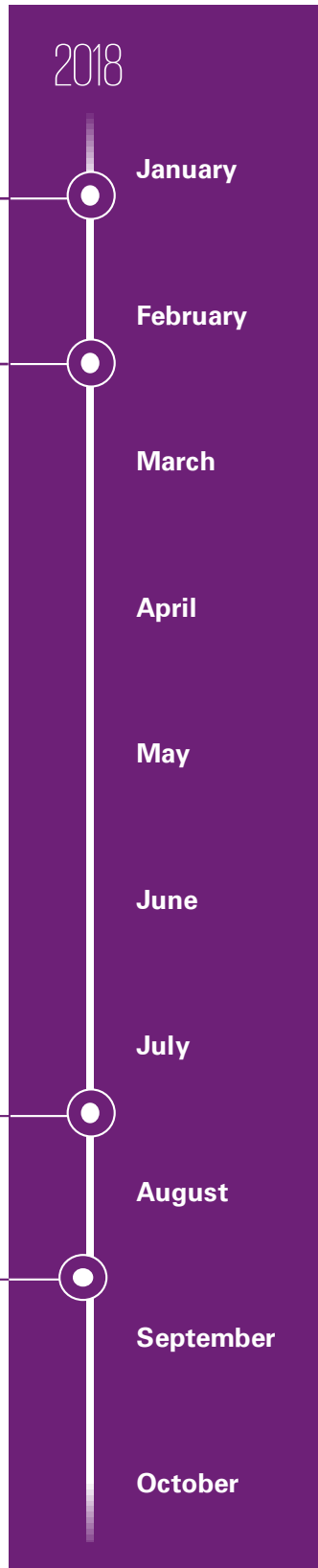
We also provided the mandatory declarations required under auditing standards as part of this report.

Auditor’s Report

The Auditor’s Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.



Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

External audit

Our final fee for the 2017-18 audit of the Authority was £58,388, which is in line with the planned fee.

Our fees in relation to the 2017-18 audit are still subject to final determination by Public Sector Audit Appointments.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The planned fee for this work is £9,573 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

We charged £3,000 for additional audit-related services for the certification of the Pooling of Housing Capital Receipts return, which is outside of Public Sector Audit Appointment's certification regime.

All fees quoted are exclusive of VAT.



The key contacts in relation to our audit are:

Tim Cutler
Partner

T: +44 (0) 161 246 4774
E: tim.cutler@kpmg.co.uk

Chris Paisley
Senior Manager

T: +44 (0) 161 246 4934
E: christopher.paisley@kpmg.co.uk

Sophie Watson
Manager

T: +44 (0) 161 246 4378
E: sophie.watson@kpmg.co.uk

kpmg.com/uk



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A

Deloitte LLP
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
NE1 2HF

Phone: +44 (0)191 261 4111
Fax: +44 (0)191 232 7665
www.deloitte.co.uk

Direct phone: +44 191 202 5353
Direct fax: +44 191 232 7665
phewitson@deloitte.co.uk

25 April 2018

Ms N Muschamp
Lancaster City Council
Chief Officer (Resources)
Lancaster City Council
Town Hall
Dalton Square
Lancaster
LA1 1PJ

Dear Ms Muschamp

Fee for the audit of the accounts of Lancaster City Council for the year ending 31 March 2019

We are writing to set out our fee for the audit of the accounts of Lancaster City Council for the year ending 31 March 2019.

Proposed fee for the audit

The scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA) in respect of the year ending 31 March 2019 is £44,959. This compares to the published fee scale for 2017/18 of £58,388.

We do not propose any variations to the scale fee.

Work programme

Our audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and their assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London, EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2018 Deloitte LLP. All rights reserved.

This is the first year of our appointment and our predecessor has not yet completed their audit for 2017/18. Our risk assessment is therefore necessarily very limited at this stage. Based on our preliminary procedures, we have not identified planned pieces of risk-based value for money work.

Once we have completed our detailed planning and risk assessment procedures, we will present our initial audit plan to those charged with governance and provide an explanation for any variances to the published scale rate set out in this letter and following the approval process described below.

Assumptions on which the fee is based

The 2018/19 scale fee and our proposed fee is based on the following assumptions:

- there are no significant changes (compared to that applying to 2017/18 and reflected in the published fee scale for that year) in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for our 2018/19 audit;
- the authority is able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes; and
- audit risk and complexity are similar to the level identified and reflected in the scale fee for 2018/19, including that: the authority maintains a strong control environment; and our detailed risk assessment work does not identify the need to undertake pieces of risk-based value for money work.

The proposed fee does not include fees for considering objections or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998. These will be charged as a variation to the scale fee using the procedure described below.

From 2018/19, certification work is no longer covered by PSAA's audit contract and is therefore not within the scope of this letter. Where such work is requested, a separate tripartite engagement between the relevant department, the audited body and a reporting accountant is needed.

The fees exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Variations to the proposed fee

Where it becomes clear that the amount of work required is significantly different to that which would be expected based on these assumptions (and reflected in the above fees), we will request a variation to the proposed fee.

We will first discuss the reasons for the additional fee with you and then submit a request to PSAA for a variation in the fee. PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee.

We look forward to working with the authority over the coming years.

Yours sincerely



Deloitte LLP