

## AUDIT COMMITTEE

6.10 P.M.

26TH JANUARY 2005

**PRESENT:-** Councillors Malcolm Thomas (Chairman), John Gilbert (Vice-Chairman), Ian Barker, David Whitaker and Shirley Burns (Substitute for Councillor David Kerr). Also present Roger Mace, Abbott Bryning (part), Evelyn Ashworth (part), Keith Budden (part), Roger Sherlock (part).

Officers in attendance:

Mark Cullinan	Chief Executive (part)
Nadine Muschamp	Head of Financial Services
Derek Whiteway	Internal Audit Manager
James Doble	Principal Democratic Support Officer
Liz Bateson	Democratic Support Officer

Apologies for absence:

Councillors David Kerr,	Joyce Pritchard
Roger Muckle	Corporate Director (Central Services)

### 16 MINUTES

The Minutes of the meeting held on the 26th October 2004 were signed by the Chairman as a correct record.

### 17 PRESENTATION OF THE ANNUAL AUDIT AND INSPECTION LETTER 2003/04

Members of Cabinet, Overview and Scrutiny Committee and the Budget and Performance Panel had been invited to attend the presentation of the annual Audit and Inspection Letter 2003/04, given by Fiona Blatcher, (Audit Commission). It was reported that the Council had developed an ambitious improvement plan and had demonstrated a clear focus on achieving that plan. It was reported that a great deal had been achieved in a relatively short space of time, however the Council needed to retain a strong focus. It was outlined that with regard to regeneration the Council's approach was considered fair with promising prospects for improvement. The report suggested that the Council was not sufficiently integrating its work (and the work of partners) in economic development with that in housing, community development and skills training, although it was noted that improvements had been made since the inspection.

Members were advised that there were no major concerns relating to the statement of accounts although to maintain financial integrity of the accounts consideration should be given to recording and valuation arrangements for fixed assets. Members were also informed that the financial position of the Council had been strengthened in 2003/04 and this had continued into 2004/05. Improved financial planning processes had contributed to this and it was noted that the Star Chamber process had been effective in formulating the budget. Arrears levels had also improved. It was noted that due to the Council's

success in obtaining additional funding, the capital programme had enlarged and it was important that the Council continued to monitor this.

Governance arrangements were reported as being generally sound but further work was required to develop the implementation of effective risk management practices and the monitoring of personal and prejudicial interests.

Members were advised that the Crinkley Bottom issues were now finished and the accounts for 1994/5 to 2000/01 had been closed. However, the Accounts for 2001/02 remained open due to the consideration of the lawfulness of decisions surrounding the early retirement of a former employee.

The report identified four key areas of action required by the Council:-

- Maintain a concentrated focus on delivery of the Council's improvement plan.
- Implement the recommendations in the Regeneration inspection report.
- Improve the quality of performance information.
- Improve risk management arrangements over the next 12 months.

The Chairman thanked Fiona Blatcher and Members sought clarification on several issues raised in the Report. With regard to proposals for a more streamlined audit, Members were informed that a Revised draft Code of Audit Practice had been formulated. This adopted a risk-based approach with a stronger emphasis on value for money, focusing on corporate performance and financial management arrangements rather than individual services and functions.

Attention was also drawn to the concept of regeneration. The report acknowledged that the Council had been addressing economic development but suggested that if disadvantaged residents were to benefit from economic growth the Council must address social and environmental aspects of regeneration as well as economic ones. The Chief Executive maintained that regeneration programmes within the council tried to take account of the physical, social and economic factors in a way that had not been considered necessary ten years previously.

***Resolved:***

That the report be noted.

**18 LICENSING OF HIGHWAY AMENITIES - AMENDMENT OF TERMS OF REFERENCE OF LICENSING REGULATORY COMMITTEE**

James Doble, Principal Democratic Support Officer, introduced this report on behalf of the Head of Legal Services. He advised Members that this report sought to address an anomaly with regard, for example, to the licensing of tables and chairs outside street cafes. Recent government regulations empowered the issuing of such licences by Licensing Regulatory Committee rather than by the Executive branch of the Council (Cabinet).

It was proposed by Councillor Barker and seconded by Councillor Whitaker:-

“That the recommendations as set out in the report be agreed.”

On being put to the vote, Members voted unanimously in favour of the proposal, whereupon the Chairman declared the motion to be carried.

**Resolved:**

That full Council be recommended to amend the terms of reference of the Licensing Regulatory Committee in the Constitution to include the granting of permissions under Section 115E and the publication of Notices under Section 115G of the Highways Act 1980.

**19 FRAMEWORK FOR PARTNERING WORKING AND CONTRACT PROCEDURE RULES**

Derek Whiteway, Internal Audit Manager, advised that the purpose of this report was to advise Members of the development and implementation of a Framework for Partnership Working, which took into consideration recent legislation and other policy initiatives, and to consider the Revised Contract Procedure rules.

In response to these reports Members discussed their experience with regard to the issue of the opening of tenders. It was noted that the draft retained the arrangement whereby a Cabinet member needed to be involved. Members were in agreement that this procedure was out-of-date and frequently led to problems in securing the attendance of Cabinet members. It was suggested that in future two Officers designated by the Head of Administration should open tenders.

It was proposed by Councillor Barker, seconded by Councillor Whitaker:-

“That the recommendations as set out in the report be agreed subject to the amendment that:- The Head of Administration Services will ensure that all tenders are opened at the same time when the period for their submission has ended. Tenders shall be opened by two Officers of the Council, one of whom must be an officer designated by the Head of Administration Services as custodian of the received tenders.”

On being put to the vote, Members voted unanimously in favour of the proposal, whereupon the Chairman declared the motion to be carried.

**Resolved:-**

- (1) That the Framework for Partnership Working and the Procurement through Partnering Guidelines in support of the Council's Procurement Strategy be noted.
- (2) That the Audit Committee recommends to Council that full Council adopts the Contract Procedural Rules, as amended.
- (3) That the Committee recommends to Council that all future amendments to the Constitutions Financial Regs/Contract Procedure Rules are delegated to the Audit Committee.

- (4) That the Head of Administration Services will ensure that all tenders are opened at the same time when the period for their submission has ended. Tenders shall be opened by two Officers of the Council, one of whom must be an officer designated by the Head of Administration Services as custodian of the received tenders.

## 20 INTERNAL AUDIT CHARTER

Derek Whiteway, Internal Audit Manager, advised Members that the purpose of this report was to update the Internal Audit Charter. Members were informed that the new draft Charter reflected developments in Internal Audit practice and changes in the scope of Internal Audit work.

In response to Members' questions Derek Whiteway clarified that 'optimising the contribution of, and levels of assurance provided by, audit and other review agencies' referred to both internal and external audits. With regard to Audit Independence, it was recommended that an amendment be made whereby the unrestricted access to senior management would be extended to include senior members.

It was proposed by Councillor Barker and seconded by Councillor Thomas, that:-

"The recommendations as set out in the report be approved, subject to the amendment that Audit have unrestricted access to senior management and senior members."

### ***Resolved:-***

That the proposed Charter for Internal Audit be approved subject to the amendment that Audit have unrestricted access to senior management and senior members.

## 21 INTERNAL AUDIT MONITORING

Derek Whiteway, Internal Audit Manager, introduced the Internal Audit Monitoring report, the purpose of which was to advise Members of the progress of the 2004/05 Internal Audit Plan, which had been approved by the Committee on 28<sup>th</sup> July 2004, and sought their approval for proposed revisions. Whilst good informed that two major disciplinary investigations undertaken by the Section progress had been made with the majority of the plan, the Committee were had delayed implementation. The Committee were advised that whilst the adjustments proposed represented a relatively high percentage of the annual audit plan in terms of number of days provided, the adjustments were designed to ensure that remaining resources were devoted to key areas of work, particularly those connected with providing assurance on the internal control environment and the production of the annual Statement on Internal Control. In addition it was reported that it was anticipated that discussions with other authorities would bring benefits from joint working arrangements and enable a clearer and more flexible approach to some elements of work in the future, particularly in computer audit work.

It was agreed unanimously:

"That the recommendations as set out in the report be agreed."

On being put to the vote, Members voted unanimously in favour of the proposal, whereupon the Chairman declared the motion to be carried.

**Resolved:-**

- (1) That the monitoring report be noted.
- (2) That the proposed adjustments to the remaining work programme, as set out in section 3 of the report be approved.

## 22 RESULTS OF INTERNAL AUDIT WORK

Derek Whiteway, Internal Audit Manager, advised Members this report contained five new reports and eleven follow-up reports compiled by Internal Audit. He reported that whilst good progress had been made in implementing agreed plans there were some issues, which needed to be brought to the attention of Members.

Concern over the collection of rent from the markets was expressed and the risk this exposed employees to. Members were advised that the issue of cash collection and encouraging the adoption of cheques, electronic payment or direct debit was being reviewed. With regard to Sea and River Defences Members were informed that Risk management had improved through active participation in the North West Coastal Protection Group, which had produced a performance framework approved by the Environment Agency. It was noted that the Service was also participating in the development of the National Flood and Coastal Defence Database, which allowed for more informed decisions on flood and coastal erosion management and enabled compliance with high level targets. It was recognised that further information was needed with regard to flooding and the Senior Engineer was working on a new flood strategy/package to enhance emergency planning arrangements.

The issue was raised as to whether the audit of software licensing was applicable to Members and it was agreed that they needed to be included.

Members were advised that the City Council had entered a 'partnership' agreement with Lancashire County Council for the discharge of certain Highway Authority functions and that arrangements under the 'partnership' would be monitored with reports to the Cabinet as appropriate.

With reference to the Sustainability audit, it was noted that whilst commitment was good, progress had been hindered and four of the nine actions requiring implementation following the Audit in August 2003, had yet to be implemented. It was noted that a Sustainability Appraisal Checklist had been developed aligned to the Agenda for Action and copies had been distributed to Service Heads, although there still appeared to be limited compliance. The website and intranet had also been developed to promote sustainability issues however it was recognised that further work was required. Members were informed that a further follow-up report would be submitted at the next meeting.

***Resolved:***

- (1) That the report be noted.
- (2) That a further follow-up be provided at the next meeting.

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Chairman

(The meeting ended at 7.35 p.m.)

**Any queries regarding these Minutes, please contact  
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