



**Committee:** AUDIT COMMITTEE  
**Date:** WEDNESDAY, 19 OCTOBER 2005  
**Venue:** MORECAMBE TOWN HALL  
**Time:** 6.00 P.M.

**A G E N D A**

1. **Apologies for Absence**
2. **Minutes**  
Minutes of the meeting held on 27<sup>th</sup> July 2005 (previously circulated).
3. **Items of Urgent Business authorised by the Chairman**
4. **Declarations of Interest**
5. **Democratic Renewal of Full Council: The Way Forward** (Pages 1 - 16)  
Report of the Head of Administration Services.
6. **Constitutional Review - Proposed Amendments** (Pages 17 - 30)  
Report of the Head of Administration Services.  
  
Please note that since writing this report a circular has been issued by DCMS (yesterday) on 10<sup>th</sup> October 2005 concerning the transfer of some licensing responsibilities, which will require an amendment to the Terms of Reference of the Licensing Act Committee in the Constitution. Officers are considering the implications of the circular and a supplementary report will be provided for Audit Committee as soon as possible.
7. **Freedom of Information** (Pages 31 - 34)  
Report of the Head of Administration Services.
8. **Statement of Accounts** (Pages 35 - 36)  
Report of the Head of Financial Services.
9. **Statement on Internal Control and Corporate Governance** (Pages 37 - 56)  
Report of the Corporate Director (Central Services).
10. **Risk Management Progress and Proposed Work Plan** (Pages 57 - 60)

Report of the Head of Financial Services.

There will be a short presentation by Lynne Armistead (Risk and Insurance Manager)

11. **Annual Report and Controls Assurance Statement 2004/05** (Pages 61 - 82)

Report of the Internal Audit Manager.

**ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Malcolm Thomas (Chairman), John Gilbert, Ian Barker, Jon Barry, Keith Budden, David Whitaker and Geoff Wilson

**(ii) Substitute Membership**

Councillors Susan Bray, Shirley Burns, Chris Coates, Paul Gardner, Janice Hanson, Alex Stone and Joyce Taylor

**(iii) Queries regarding this Agenda**

Please contact Gill Noall, Administration Services - telephone (01524) 582060 or email [gnoall@lancaster.gov.uk](mailto:gnoall@lancaster.gov.uk).

**(iv) Changes to Membership, substitutions or apologies**

Please contact Members' Secretary, telephone 582170, or alternatively email [memberservices@lancaster.gov.uk](mailto:memberservices@lancaster.gov.uk).

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**Meeting of:** AUDIT COMMITTEE

**Date:** 19<sup>TH</sup> OCTOBER 2005

**Report of:** HEAD OF ADMINISTRATION SERVICES

**Reference:** GMN

**Title:** DEMOCRATIC RENEWAL OF FULL COUNCIL: THE WAY FORWARD

## **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

To consider the options open to the Council to revise and improve the operation of full Council meetings.

## **RECOMMENDATIONS**

**That Members consider the future operation of full Council meetings and determine which if any of the options set out in paragraph 8 be further developed to enable a full report and recommended amendments to the Constitution to be submitted to Council for implementation.**

## **REPORT**

### **1. Introduction**

- 1.1 The Audit Commission report in 2003 on Lancaster City Council's Democratic Renewal said of the role of full Council:

*"Full Council has continued to operate in a traditional manner with a full agenda and formalised meetings, whilst the new arrangements introduced by the Local Government Act 2000 envisage a much different role for full Council encouraging more debate on policy issues and more public participation. Full Council meetings are extremely long, with a lot of debate focused on processes and procedures rather than outcomes. The standing agenda item for consideration of Cabinet minutes tends to lead to a large proportion of meetings being devoted to the scrutiny of cabinet decisions, something which should be occurring through overview and scrutiny committees and the use of consultation mechanisms for the forward plan of key decisions. We have recommended that the approach to council meetings should be completely revised and have outlined a number of options to achieve greater debate on policy, outcomes for the community and greater public participation."*

- 1.2 One of the criticisms of the Council in general was that the current democratic arrangements do not assist the Council in developing its community leadership role. In particular it states *"successful public participation is not yet evident within the decision making structures and the authority should review the way its 'decision making processes' interact with all the community."*

- 1.3 The Corporate Plan for 2005/06 has acknowledged this requirement and includes the following:

*“Lancaster City Council’s role is:*

- *to provide community leadership to help the district address the major issues it faces;*
- *to provide the services that we are responsible for and that contribute to meeting people’s needs.*

*We aim to ensure all our activities fit with this role and to that end, each of our policies, spending decisions and work programmes, as well as every course of action we take, should clearly contribute to at least one of the following:*

1. *Representing our communities’ interests within the district, regionally, nationally and in Europe.*
2. *Bringing communities and agencies together to work in partnership to address the major issues affecting the district.*
3. *Providing a range of customer focused services, within the City Council’s remit, that meet the needs of people who live, work and visit the district.*
4. *Improving, on a continuing basis, the services that the Council provides.*
5. *Putting our citizens, residents and users of our services at the heart of everything we do.”*

- 1.4 A commitment to public inclusiveness should see the Council providing opportunities for the public to influence executive decisions but this can be through several ways - a user friendly operation of the forward plan, public involvement in scrutiny meetings and an opportunity for public question time at meetings.

- 1.5 Amongst the issues for action is listed:

- Ensure that community interaction with all Lancaster City Council’s decision making processes is reviewed
- Improve and fulfil the key role that full Council meetings should play as part of the new political management arrangements. The Council should change the format of full Council meetings from its current traditional style.

## **2. Recommendations for change**

- 2.1 ODPM guidance encourages authorities to think about how the role of full Council could be changed, in particular with regard to:

- allowing more debate on the policy framework
- enabling more open and informed debate on reports from overview and scrutiny, and
- encouraging public participation in the Council meeting.

### 2.2 Current developments relating to full Council within authorities include:

- public question time
- a 'state of the borough, district or county' debate
- single issue council meetings and the 'council in committee' to enable deliberative debates of a policy problem or proposal,
- a form of parliamentary procedure for policy development involving first, second and third reading for reports or proposals
- regular sessions for members to question portfolio holders.
- individual members given the power to initiate a council debate on a particular subject, and
- invited guest speakers.

### 2.3 Guidance to authorities also states that greater attention should be given to how meetings can be less controlled by standing orders and more inclusive and deliberative. Likewise consideration should be given to exploring how full council can play a part in supporting the community leadership role of the authority and thereby strengthening local democracy.

### 2.4 The specific recommendations for Lancaster City Council contained in the Audit Commission report include changing the format of Full Council meetings from its current traditional style. The new approach should be instead of the current arrangements, not additional to them. Options may include:

- that the agenda includes a standing item at the beginning of every Council meeting for the Leader to present a corporate progress report, on behalf of the Cabinet, to inform all Members of progress made since the last Council meeting and to present issues to be dealt with before the next Council meeting
- having themed Council meetings around particular corporate issues
- encouraging relevant Cabinet Members to present relevant reports in a seminar style
- holding the Council meetings, and other meetings, in less traditional locations than Council Chamber and at different times of the day
- establish a programme of seminars for Members on particular issues tied in with other meeting dates, to improve understanding, knowledge and attendance
- revising the frequency and formality of Full Council meetings
- consideration of Reports from Members appointed to outside bodies and partnerships.

### **3. Council Response to date**

- 3.1 The District Auditor's report was considered by the Audit Committee and by full Council in October 2003. Changes in relation to the operation of full Council are set out in the following extracts of the resultant decision at that meeting:

*“That the following amendments be approved with immediate effect and the Monitoring Officer undertake any consequential updates of the Constitution:*

- (2) (viii) The inclusion on each Council agenda of reports from the Cabinet Leader.*
- (ix) The inclusion on a particular Council agenda of an item requested by a Committee Chairman or the Chair of the Review Board Business Panel.*
- (3) (vi) A process for the public to ask questions on reports in (2)(viii) and (ix) above.*
- (vii) Measures to be considered to change full council in the manner suggested by the Audit Committee.*
- (viii) Research other opportunities that could be developed for full Council to further engage with the general public on strategic and policy matters.*
- (6) That it be accepted in principle that representatives on the major partnerships should report into Council on a regular basis and refer to the Constitutional Review Task Group as in (3) above the mechanism for presenting such reports and the annual reports of Cabinet Members and Review Board Chairs to Council.”*

- 3.2 A further amendment has since been agreed to the Council Agenda in October 2004. The Cabinet Leader's report now appears as a separate item from the Cabinet Minutes and is included, together with questions on the report, at Item 7 on the Agenda. The Cabinet Minutes remain on the agenda but have been moved to the final item when questions may be asked on those items. It also became noticeable that a number of questions to the Leader were replicating questions received on notice and although no amendment has been made to the Constitution in this respect the Mayor has changed the order of the agenda at recent meetings to take the questions on notice prior to the Leader's report.

- 3.3 Over the past few months further discussions have been held between the Corporate Director (Central Services), the Head of Administration Services and the District Auditor's office on ways to improve the operation of full Council and examples of best practice from other Councils. The Head of Administration Services has also attended an INLOGOV seminar on the subject and carried out further research looking at various initiatives and experiments at different Councils across the country all of which has informed the list and analysis of potential changes set out in this report for Members' consideration.

### **4. The Role of Full Council and its Current Operation**

- 4.1 Before considering the options for change in detail it is necessary to think first about the role of full Council and what this Council wants to achieve from its meetings.
- 4.2 Although the Local Government Act 2000 did not prescribe a new form of full council meetings the modernisation agenda has created a new set of relationships between

full Council, the Executive and the Overview and Scrutiny function which results in four separate roles for full Council:

1. Setting the political management structure
2. Considering and deciding upon policies of the authority and the budget and capital programme
3. Playing a part in the accountability of the executive
4. Supporting the role of the authority as community leader.

### 4.2.1 *Setting the Political Management Structure*

This is probably the most straightforward aspect of the Council's role and as well as setting the governance framework (via the Constitution) includes the appointment of the Leader and Cabinet, the Overview and Scrutiny and members of other committees as well as representatives on outside bodies and partnerships. This must be done on an annual basis and there is the potential built into the Constitution to make amendments as required throughout the year.

### 4.2.2 *Setting the Budget and Policy Framework*

Full Council is responsible for agreeing the Council's overall community strategies including key development plans and determining each year's revenue and capital budget. Full Council also takes those decisions which would represent a departure from the strategies and budgets which have previously been agreed.

A programme for setting the budget and policy framework has been developed over the past two years which has seen an improvement each year with the Cabinet recommending a budget and policy framework to Council over 2 meetings in February/March. This year as part of the development/consultation process the Leader presented his plans to the Budget and Performance Panel to which all Members were invited.

### 4.2.3 *Accountability of the Executive*

Although the one of the roles of Overview and Scrutiny is to hold the Executive to account, there is a role also for Council to play in this respect but in a much more general sense than Overview and Scrutiny's picking up of specific decisions in the call in process.

The taking of any decisions outside the budget and policy framework set by Council is a check and balance on the Executive, but a more rigorous holding to account is carried out by means of requiring the Leader to submit a report to every Council meeting on which he and his Cabinet can be questioned. Further questions on recent Cabinet minutes may also be asked and questions on notice may be submitted on any subject.

The City Council's Constitution also allows for questions on notice from members of the public and for the Chairman of Overview and Scrutiny or any other Committee to request that an item be placed on the Agenda.

### 4.2.4 *Community Leadership*

Full council provides a forum for debate on issues of interest to the community as a whole. The Council held a state of the authority debate in 2002 but has since

removed this requirement from the constitution as it was not felt to have served a useful purpose.

The Constitution currently provides for Notices of Motion to be included on Council agenda which stimulate debate on a variety of topics and result in the Council formulating an agreed policy or position on issues of relevance to the district over which it has no direct control but would seek to exert some influence.

## **5. Rethinking Full Council and the Options for Change**

### *5.1 Setting the Political Management Structure*

5.1.1 Whilst it is not suggested that Council make any changes to the current method of making appointments it would be possible to establish a "Council Business Committee" which could take on the role of formally approving nominations put forward by political groups and making committee membership amendments throughout the year. This would take away the need, other than at Annual Council, for full Council to consider such matters as:

- Appointments to committees
- Appointments to outside bodies and partnerships
- Timetable arrangements.
- Formally approving minor amendments to the Constitution which do not fall within the remit of the Monitoring Officer to approve.

These are items which for the most part are passed at Council without debate or, in the case of timetabling issues, for example, are inappropriate for debate in such a large forum and would be more effectively settled by a small Committee.

5.1.2 Appointments to Cabinet and Overview and Scrutiny would continue to be made at an Annual Business Meeting but the opportunity could be taken to link these appointments to the presentation of annual reports from the previous year, thereby justifying individual re-appointments.

5.1.3 The Council Business Committee might also be the ideal forum for dealing with Council responses to consultation papers. At the present time, the Leader and Chairman and Vice Chairman of Overview and Scrutiny are consulted on whether a response should be made and the content is agreed by a variety of processes, most often being approved by the relevant Cabinet Member.

### *5.2 Setting the Budget and Policy Framework*

5.2.1 Council's role is to agree the budget and policy framework, which implies the end of the process, with proposals being prepared elsewhere, i.e. by Cabinet.

5.2.2 On the face of it this may appear to be a reduced role for full Council, but there is an opportunity for all Members to be involved both with budget setting and with policy making – the role of full Council being to question and explore the budget and policy documents giving approval and carrying out a final scrutiny role. One way of increasing the number of Councillors involved in the development of the budget and corporate plan would be to hold a full Council briefing session at which Cabinet can present its proposals and be questioned by all councillors and/or other invitees. This could for example replace the LSP/Economic stakeholders' consultation and the briefing to Budget and Performance Panel arranged this year.



5.2.3 There are also other ways for all Members to be involved in the ongoing development of policy through debate at Council, for example, using the process established by central government to develop policy. Once the need for a specific policy has been identified, perhaps by reference to the Forward Plan the following stages could be introduced:

- i. 1<sup>st</sup> Reading: announcement of intention to look as issue – this could be in the form of a request from a Member or an agreed number of Members and approved by Council as a suitable topic for future debate.
- ii. 2<sup>nd</sup> Reading: debate on principles/issues – reports from officers would be presented if appropriate, or outside speakers requested to attend. Councillors would be able to ask questions and debate the issues without necessarily taking any decisions.
- iii. Committee Stage: referral to Overview and Scrutiny – a Task Group could be set up to look at the issues in depth and submit recommendations to a future Council meeting.
- iv. Final Report: recommendations from the Overview and Scrutiny/consultation process debated and a decision voted upon setting the policy of the Council, within which the Cabinet is required to work.

5.2.4 This is very similar to the process of debating a Notice of Motion under the current procedures but where the issue relates to an area of Council responsibility on which decisions will at some point have to be taken could have the following advantages:

- A requirement for more than the mover and seconder to agree that a debate on a particular topic should be held would ensure a greater interest in the topic concerned than is always the case currently.
- Announcing the topic in advance allows for more informed debate.
- Formalising the potential to refer the matter to Overview and Scrutiny and/or requesting officer reports or outside speakers on a topic enables more detailed consideration of the facts.
- Forthcoming topics included in the Forward Plan can be debated at a strategic level, setting an agreed Council policy prior to consideration of a Key Decision by Cabinet, ensuring that in most cases relevant issues will all have been addressed and call-in of the decision is less likely.

### 5.3 *Accountability of the Executive*

5.3.1 Council is the forum in which Members of Cabinet should be giving an account of their performance and be accountable for their actions.

5.3.2 Giving an account is currently done by means of the Leader's report included on each Agenda. This has been developed from the original inclusion of Cabinet minutes without any additional narrative and provides an opportunity for cabinet to report on issues being progressed outside Cabinet meetings in addition to those items on which formal decisions have been taken.

5.3.4 On an annual basis, the Constitution provides for each Cabinet Member to produce an 'end of year' report and this year these were published in Annual Report style in addition to the requirement that they be presented at Council with the opportunity for non-executive Members to question the executive Members. With the cancellation of the April meeting of Council these reports were submitted to the Annual Business meeting when the Cabinet the election of a Cabinet for 2005/06 also took place and Members may consider that this is a useful tool in judging the Cabinet's performance and justifying the re-appointment of each individual.

5.3.5 As far as holding the executive to account is concerned, this is done specifically by Overview and Scrutiny, but full Council can provide an opportunity for all Members to scrutinise the performance of the Cabinet in a more general way. The best way to perform this task is to ask questions of Cabinet Members but there are several alternatives formats that this can take and Members need to consider how best to undertake this role to make it effective. The Council agenda currently provides the following opportunities for questions from the public and Members:

- Public questions on notice – must be received 3 days before the meeting. A prepared answer is given and one supplementary question is allowed.
- Member questions on notice – must be received 3 days before the meeting. A prepared answer is given and one supplementary question is allowed.
- Member questions on the Leader's report – unlimited.
- Member questions on Cabinet Minutes.

5.3.6 Improvements have been made to this process since the commencement of the new structure, for example the format of the Leader's report now allows for questions on a wider range of topics than those contained in the Cabinet Minutes, which now appear at the end of the Agenda and rarely elicit more than a handful of questions. The order of the Agenda has been informally changed so that questions on notice are not duplicated by the general questioning of Cabinet under the Leader's report. Nevertheless the questions on notice from both Councillors and the public have a stilted feel and there is evidence that members of the public in particular gain little satisfaction from the process.

5.3.7 A number of Councils have introduced a more informal public question time at the start of Council meetings where members of the public may ask questions of Cabinet Members or Chairmen of Committees related to any area of Council responsibility without notice. A similar arrangement can also be introduced for questioning of specific Members by other Members. If such sessions were introduced they would need to be time-limited and it would need to be understood that without the protection of the notice having been given of the questions there will be times when a Cabinet Member or Chairman is unable to answer a particular question and a written answer will have to be provided. On the other hand Members may consider that Lancaster's approach of having a formal question on notice but allowing a supplementary question gives sufficient flexibility, offering a degree of protection to the Cabinet Member but allowing the questioner scope to challenge.

5.3.8 Members may also wish to consider extending this role to areas of responsibility other than the Executive, e.g. Partnership Boards, Chairmen of Committees, Councillor representatives on outside bodies. This allow Councillors an opportunity to appraise or make comment on other spheres of Council involvement and goes some way to wards making partnerships accountable for their actions.

#### 5.4 *Community Leadership*

5.4.1 An important role of Council is to take a lead in public life. This does not necessarily mean that the public have to attend Council meetings. With the exception of a small number of contentious debates, large numbers of the general public have never attended council meetings. Involving the public does not have to mean getting the crowds into the Council Chamber, rather it is about ensuring that the elected councillors debate the issues that matter to the public and giving the opportunity to those that do wish to attend to get their views heard.

5.4.2 There are a number of ways in which full Council can support the authority's role as community leader and become the place where issues of local importance are debated and Members need to consider introducing a new style of meeting more akin to an event to give expression to the community leadership role. Below are a number of ways in which this could be done. Not all of these may be considered suitable and it may be possible to combine some of the ideas into a single event. There is no reason why every council meeting during the Municipal Year has to follow the same format and it may be more appropriate to plan a year of meetings incorporating different styles – some meetings involving the wider community, some debates between councillors, and others the more traditional decision-making meetings:

- (i) *Public question time* – see 5.3.7 above. This also contributes to community involvement.
- (ii) *A state of the district debate* – involving Councillors and also the public, other stakeholders and the media. This Council did hold such a debate in 2002 but in the first review of the Constitution it was not felt that it had been a success and it was dispensed with. Several other Councils who had done the same are now having second thoughts and experimenting with different formats. It can take the form of the Leader reporting on what has happened and what is about to happen, stimulating debate on a particular facet of the District, or it can be an integral part of the community planning process, inviting members of the public to join in debates on a series of topics on which representatives of outside organisations could be asked to make an introductory presentation, e.g. on local transport or health issues. This could also be combined with a session where the public can raise questions on other topics. Alternatively the event could be used to stage a “visioning”, “blue sky thinking” community forum style debate on what the area should be like in 5 or 10 years time. This would entail an open debate, without an agenda, allowing general consultation and engagement, with no decision at the end but a series of views which could inform future decisions.
- (iii) *Outside Speakers* – These can range from inviting speakers such as the Police, Health Board, PCT, a large private sector company such as BNFL, etc to give a presentation and answer questions or they can be invited to take part in a session of debate and exchange of views. This can form part of a ‘normal’ decision making meeting, be held as a separate session before or after a meeting, or be part of ‘an event’ as in (ii) above. They can be purely fact-finding missions or outside organisations can be invited to explore issues with the Council. Local MPs could be invited to share with the Council their views on local issues. Alternatively briefing sessions on issues of interest can be held either at the start of the meeting or as a separate morning session as has been the case for example for Data Protection, Members Interests, Overview and Scrutiny, etc.
- (iv) *Single Issue meetings* - Council can be used as a forum for debate and deliberation on single issues – community safety, environmental sustainability, economic development, the activities and effectiveness of other public agencies for example. This has been done in the past by means of holding an extraordinary meeting, as was the case for example last year to debate the M6 link road issue. It can also be seen as an extension of the current provision for motions on notice to be debated but could be improved by planning further ahead and advertising the issues to be debated allowing a greater opportunity for research and fact finding prior to the debate. Such

debate could as now involve only councillors or it could provide a forum for the community and other agencies to debate important local issues alongside members. They can be used to make a decision on a particularly important issue or they can be used to formulate a council view to put pressure on another body. Involving external bodies or the general public can be a useful mechanism in raising public awareness but on the other hand councillors have a legitimate role as an elected body to debate different views and speak on behalf of the community.

- (v) *Motions on Notice* – the current system allows for 2 members to call for a debate on any issue, usually at the next meeting with just 7 days notice. Amendments to this system could see the introduction of a threshold of a greater number of members required to trigger a debate, Groups could take it in turns to choose topics for debate and/or a programme of debates could be agreed at the start of the Municipal Year for the year ahead. As stated in (iv) above although not normally resulting in a resolution for particular action by the Council, these debates are an important method of signalling the Council's views to a wider audience and make the Council the authoritative voice on issues of importance to local people.
- (vi) *Celebration of Success* - Certificates of achievement could be presented by the Mayor, for example to young people nominated by schools or to members of the community nominated by the voluntary sector. This could be combined for example with a 'State of the District' or Council assembly style event.

## **6. Other Issues**

### **6.1 *Frequency of Meetings***

It has generally been agreed across the country that the old traditional 8-week cycle of meetings is no longer sufficient. This Council has changed to a 5 weekly cycle and with the Annual and Budget Council there are now 10 meetings per year. There have also been some extraordinary meetings called to deal with single issues over the past few years. It not proposed that they be any more frequent than this but it may be advantageous to set a programme of meetings, which do not necessarily follow a 5 week cycle. Some meetings over the past few years have not had a huge amount of decision-making business and it could be that those should be targeted for a change in style to the Council meeting as an Assembly for debate or questions for example.

### **6.2 *Public Participation***

Whilst public participation is to be encouraged, making Council meaningful to the public does not necessarily mean that all meetings have to actively involve large numbers of the general public. By their nature Council meetings are only likely to attract big audiences where the topic to be debated is controversial and/or affects a large number of people. Taking the meetings out into different parts of the district, targeting the local community with issues of particular interest to that area would attract more people if that is what Members feel a Council meeting should be. Feedback from people who have attended Council to present a petition, to address Council or to ask a question indicates a level of disappointment that the issue is not debated there and then but merely referred on, or in the case of a question the answer has been pre-prepared. It is understandable that Councillors are more comfortable with the certainty of an agenda but more open fluid deliberative meetings

could be considered at least on some occasions. This may add risk but also adds to community engagement.

## 6.3 *Times and Venues*

Council meetings are currently timetabled to commence at 2pm and continue into the evening if necessary with a break at 6pm. Meetings do not always have to commence at the same time and this could change according to content of the meeting. The layout and conduct of the meeting could also vary according to content and issue.

Where it is decided to make an event out of Council, holding an 'Assembly' style meeting for example, this may be best held in an evening. Training or briefing sessions have sometimes been held on the morning of Council and outside speakers can be invited to speak, making a Council meeting last all day or an afternoon and evening but split into separate 'blocks'.

## 6.4 *Chairman/Mayor*

There is the potential to separate the role of a civic/ceremonial Mayor from the role of a Chairman of the council. At Lancaster, as at many other councils the Mayor is chosen by virtue of seniority and is expected to carry out a full programme of ceremonial, civic and fundraising duties. The Mayor is not chosen for their experience in chairing meetings and yet is expected to control a meeting of 60 councillors often with differing political views and make this a credible forum for the setting of council policy and community leadership.

On many occasions the Deputy Mayor is expected to take on this role for a single meeting in their 12 months without any previous experience.

It may be that a separate Chairman entitled "Council Chairman" or 'Speaker" should be appointed separating the role of council chairman from the civic and ceremonial mayoral role in the same way as the role is separated at councils where there is an elected Mayor. This Chairman would be elected by Council at the start of each year, to lead the full Council alongside the Leader (of Cabinet and Council) and Chairman of Overview and Scrutiny.

In combination with the suggestion in paragraph 5.1 to set up a Council Business Committee this person would chair that committee and be responsible for setting a work programme for the year and discussing the agenda for each meeting with the Chief Executive. They would also act as spokesman to the Press on Council issues.

Particularly where Council meetings become less formal with periods of questioning and debate involving non-Councillors a Chairman is required who has the skills to control any situations which may arise without the protection of a formal agenda and a script.

## 6.5 *Press*

Members will recall that at the end of last year the Media Guidelines Protocol was revised. At the time consideration was given to allowing filming and/or recording of Council meetings which has been resisted in the past in order to avoid disruption. Members were minded to consider allowing filming and recording at Council meetings but requested some further analysis of the risks involved and how they would be overcome. This further report has been held pending to be looked at

alongside consideration of the future operation of full Council. Should changes be made which result in increased public participation and increased interest in Council meetings this will inevitably lead to more requests from the media to capture the interaction between the public and members.

Newspaper reporters are currently able to record any exchanges in writing but are not permitted to record on tape.

Options for allowing filming and recording are as follows:

OPTION	IMPLICATIONS AND RISK ANALYSIS
<p>1. Filming/recording be permitted where there is pre-arranged public participation at meetings of full Council. This will be permitted with the prior agreement from the Chief Executive and should be arranged through the Communications Officer.</p>	<p>This will provide television crews/radio stations with the same access to report public participation as their print colleagues.</p> <p>The arena is already a public one but also a controlled one in that there are rules which set out who can speak, for how long and that prior notification will be given.</p> <p>The very fact that there is public participation will mean that the meeting will be less cohesive than other meetings so any disruption film crews/radio stations cause may not be as visible as would normally be the case.</p> <p>To minimise disruption any items due to be filmed would be moved to the start of the Agenda and Members would need to be advised of this. For this reason film crews would need to inform the Council of their wish to do so at least 2 working days in advance of the meeting.</p> <p>All TV or radio crews would need to be managed. Neither Communications nor Administration currently have the resources to provide this service.</p> <p>It would be necessary for any companies filming to provide the Council with a copy of the entire film to ensure that there are no inconsistencies between their recording and the published minutes.</p> <p>Rules provided to members of the public intending to speak at the meetings will also inform potential speakers that there is a possibility they will be filmed/record by television/radio.</p>
<p>2. Filming/recording be allowed at any meeting of full Council held in public so long as notice is given, via the Communications Officer, in advance.</p>	<p>In addition to the above points this may mean that even where there is no public participation meetings could be open to a fair amount of disruption.</p>

It should be borne in mind that a number of Councils have now introduced webcasting of Council meetings on the internet – however there is an element of control in this respect which is not present with external film crews.

## 7. Examples

Generally speaking Councils have been slow to react to the modernisation agenda in respect of full Council meetings and for some time there was little evidence of a radical re-think of the nature of full Council as a political event. This is slowly changing however and examples can now be found of successful experiments with new ways of working.

As can be seen from the previous paragraphs the options are many and varied and can be combined in a number of ways. Changes have been made in small ways along the way with the Council agenda in Lancaster City Council and it is not suggested that current practices should be swept away, rather that some additional ideas are worthy of experimentation to improve the experience of Councillors at full Council meetings. In considering which of those options set out above are worth exploring further or should be recommended to Council for implementation, Members may be interested in the following experiments which have been judged successful:

- 7.1.1 *Members Question time* – Blackburn with Darwen have included on each agenda an opportunity to question any Cabinet Member following their report on any key items of business in the area. This can take up to two-thirds of the time of a Council meeting and puts real but legitimate pressure on cabinet members to justify their actions. Recent changes at Lancaster City Council to introduce the Leaders report and questions replicate this. Many Councils are now removing the requirement that the Cabinet Minutes be attached to the agenda as it is seen as duplication (both in terms of questions being asked and the cost of the paper and printing). By adding a list of Key Decisions to the Leader's report this would enable Members to ask questions on those issues without the need for the minutes themselves to be included. Alternatively a general question time would allow questions to be asked on any topic – this is currently the case for questions on notice and could be extended. West Sussex has a 90 minute period for questions at the start of all Council meetings which allows all members to question cabinet members – there is an unlimited number of supplementary questions, which has to be managed by the Chairman.
- 7.2 *Public Question Time/Debate* – West Lancashire have held an Evening Assembly on topics which have been sent in by the public. This comprised external speakers on 2 topics followed by a general debate and also included the presentation of a number of community awards.
- 7.3 *State of the District Debate* – this practice is now being adopted more widely, following early unsuccessful attempts. In Arun, Salisbury and West Sussex, for example they have provided an opportunity for the Council Leader to review the past year's work and set out priorities and plans for the forthcoming year, providing an important platform for wider public debate. This could be utilised as a budget and policy consultation session as suggested in paragraph 5.2.2. North Tyneside held a similar event divided into 4 workshops split firstly on a geographical basis and secondly based on the council's key priorities.
- 7.4 *Single Issue Meetings* – Councils such as Carrick, Daventry, Thanet and Kirklees have held single-issue meetings to debate a major policy problem or proposal. Some Councils have also invited representatives from a range of agencies, organisations and partnership bodies to contribute making a public forum rather than a decision-

making body. Harrogate has held informal single-issue sessions prior to formal meetings of full Council, which avoids the need for complex changes to Council Procedure Rules. Barnsley has been holding 'Council in Seminar' style meetings once a month. These are open to the public and each meeting is dedicated to one topic which is part of the Council's policy framework and has been requested by non-executive Councillors. Blackpool have been holding fortnightly council meetings lasting just an hour with a presentation at the end of each agenda allowing members to stay for those that they are interested in.

- 7.5 *Notice of Motion Debates* – Fylde are introducing a 'Member's Choice Debate', i.e. a member selected at random gets to choose a topic for debate at each Council meeting. The debate is in the form of a proposition drawn up by the Member concerned and is subject to a time limit of 30 minutes following which a vote is taken on whether it should or should be adopted by the Council.
- 7.6 *Meeting structure* – Kirklees have introduced a new time limited 'Block 1' session which incorporates member-led workshops open to the public and partners and is used for consideration of new policies, debates on issues affecting Kirklees where the Council is not in a position to make decisions but is seeking to influence others, and debates on issues referred by overview and scrutiny. Presentations can be included in this part of the meeting to aid debate or to provide factual information. A 'Block 2' session follows which includes items for decision.
- 7.7 *Use of Business Committee/Speaker* – there are numerous examples of a Council Business Committee working at various levels but the most successful appear to be those who have an input in the 'management' of Council business and have a say in scheduling meetings for the year ahead. In researching this report there is plenty of theory to be found on the use of a 'Speaker' or 'Council Manager' to chair Council meetings rather than the civic Mayor. The main examples, which have been tracked down, however of this being put into practice are where there are elected Mayors although Telford has appointed a 'Speaker' to chair Council. There are also some examples, Kirklees being one, of a 'Member champion' chairing a business committee and working with officers to develop a schedule of meetings and also acting as the Council spokesman in respect of full Council although not then acting as Chairman at Council meetings.

## **8. Conclusion and summary of options for change**

In order to decide whether any changes are required and what those changes should be Members need to consider what they want full Council meetings to achieve. Clearly there are times when decisions of full Council are required. But there are also times when full Council should be a key political event where the elected representatives of the local community deliberate on significant local and national issues reconnecting local government with the public it represents.

Changes have been made since the commencement of the new democratic structure, which have started the process of transforming the ritualistic set-piece style council meetings of the past. Members need now to decide how much further they wish these changes to go and in what direction. The following options should be considered and where members are keen to make changes a method of implementation and the necessary changes to the Constitution will be developed for recommendation to full Council:

- Appointment of a 'Speaker' as Chairman of Council
- Establishment of a Council Business Committee



- Introduction of more flexible question times for members and/or public
- Removal of Cabinet minutes from the agenda (but retaining a list of key decision in the Leader's Report on which questions could be asked)
- State of the District Debate
- Council meeting as an Assembly
- Single Issue meetings with the public and/or other agencies invited to contribute to debate
- Outside speakers invited to make presentations and answer questions
- Increased use of motions on notice – planned in advance
- Celebrations of success – awards ceremonies
- Changes of venue and/or times

It may be that Council will wish to experiment with some of these options – changes to the Constitution will be kept to a minimum to allow the flexibility to try new things, which can then be refined or dispensed with if unsuccessful. Small changes can be made immediately; others may require more investigation and development. It should in considering the future be remembered that Full Council meetings are the only opportunity that Councillors have to all meet together and they should provide a positive experience and an opportunity for debate and questions.

#### **FINANCIAL IMPLICATIONS**

There are no specific financial implications at this stage. Some of the options may require additional costs, such as the hiring costs of additional accommodation. Any recommendations would be costed for inclusion in a report to Council.

The greatest impact is likely to be on staff resources required to support more proactive Council arrangements.

#### **LEGAL IMPLICATIONS**

All the suggested changes can be introduced within the powers of the Local Government Act 2000, but may necessitate amendment to the Constitution which will require Council approval.

#### **COMMUNITY SAFETY IMPLICATIONS**

None.

#### **HUMAN RIGHTS ACT IMPLICATIONS**

None.

#### **RACIAL EQUALITY AND EQUAL OPPORTUNITIES IMPLICATIONS**

All Council meetings must be held in a manner which allows equal access to all sectors of the community.

#### **SUSTAINABILITY IMPLICATIONS**

None.

## **MONITORING OFFICER'S COMMENTS**

This report sets out options for change in respect of the future role of Full Council. The issues considered in this report complete the final outstanding recommendation from the Democratic Renewal exercise undertaken by the Audit Commission in 2003. The options set out in the report aim to improve the operation of full council to improve its accessibility, accountability and community leadership roles. Any changes to the operation of full council will require a council decision and subsequent amendments to the Constitution.

## **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no comments to add.

## **BACKGROUND PAPERS**

A Role for All Members – The Council Meeting - LGA – June 2000.

Strengthening Local Democracy – Making the Most of the Constitution – ODPM – July 2003

Lancaster City Council – Democratic Renewal – Audit Commission – September 2003.

Local Government Improvement Programme – Reframed Benchmark of the Ideal Local Authority – I&DeA – February 2004

Modernising Full Council: New Political Management Arrangements and the Changing Role of Full Council – INLOGOV Seminar – December 2004

**Meeting of:** AUDIT COMMITTEE

**Date:** 19<sup>TH</sup> OCTOBER 2005

**Report of:** HEAD OF ADMINISTRATION SERVICES

**Reference:** GMN

**Title:** CONSTITUTIONAL REVIEW – PROPOSED AMENDMENTS

**Members will require their copy of the Constitution to refer to in considering this report.**

## **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

To consider a number of proposed amendments to the constitution.

## **RECOMMENDATIONS**

**That Members consider the proposed amendments set out in paragraph 2 of the report for recommendation to Council.**

## **REPORT**

### **1. Introduction**

- 1.1 Article 15 of the Constitution requires changes to the Constitution to be approved by full Council after hearing recommendations on a proposal from the Monitoring Officer and/or the Audit Committee with the exception of amendments to the Financial Regulations and Contract Procedure Rules which have been delegated to the Audit Committee and textual or factual amendments required to keep the document up to date or agreed consequential amendments as a result of Council decisions which may be implemented by the Monitoring Officer.
- 1.2 Members will be aware that a re-print of the Constitution was undertaken at the start of this Municipal Year which included a large number of changes agreed by Council during the previous year.
- 1.3 The opportunity was also taken at the same time to undertake a full cross-check to ensure that any consequential changes were identified and these were implemented by the Monitoring Officer.
- 1.4 In reading the Constitution in such detail a number of anomalies were also identified and further issues have been raised by both Members and officers during the course of the last year on which Members may wish to consider possible alternative procedures.

1.5 These are all listed below in the order in which they occur in the Constitution.

**2. Issues for consideration**

2.1 Part 2, Article 12 – Officers

The Chief Executive is not a Chief Officer and there should be a single designation of 'Head of Paid Service' in Article 12.01(b). Furthermore 12.01 (d) and 12.02 (b) are contradictory in relation to who determines the structure for the discharge of functions. Committee is requested to confirm the requirement for Members to agree the overall staffing structure of the Council.

2.2 Part 3, Section 1 - Council

There is no provision for the making of any urgent Council decisions and it is suggested that this section include delegation to the Chief Executive to sanction urgent decisions following consultation with Group Leaders.

2.3 Part 4, Section 1 – Council Procedure Rules

1. Council Procedure Rule 2 lists the order of items on Council agenda. Recent meetings have been re-ordered to take (x) questions on notice from Members before (viii) Cabinet Leader's report and question in order that questions on notice are not duplicated by questions from the floor during the Leader's report. It is suggested that this practice be formally adopted by amending Council Procedure Rule 2.
2. Council Procedure Rule 10 allows for questions from the public (on notice) to Members of the Cabinet and the Chairmen of Overview and Scrutiny Committee and Budget and Performance Panel, whereas Council Procedure Rule 11 allows for questions from Members (on notice) to the Chairmen of any other Committee in addition. This appears to be an anomaly which could be corrected by amending Rule 10 although it is recommended that Rule 10.5 be extended to include the rejection of any question relating to an individual planning application or licence.
3. Council Procedure Rule 14.6 does not include reference to friendly amendments. Whilst this process is covered by general law of meetings it may be clearer for Members if this is included explicitly in Council Procedure Rules.

2.4 Part 4, Section 1 – Council Procedure Rules – Addendum 2

Paragraph (6) limits the referral of any petition or address to Cabinet or Overview and Scrutiny Committee. On occasions it may be more appropriate to refer the matter to a Committee of Council and it is suggested that the wording be amended to substitute 'Cabinet or Overview and Scrutiny' with 'the relevant Council body'

2.5 Part 4, Section 2 – Access to Information Rules

Access to Information Procedure Rule 17 does not currently include provision for the Chairman of Overview and Scrutiny and other Committees to request that a report be placed on the Council agenda in accordance with Minute No. 68(2)(ix) as agreed by Council in October 2003 as included in Council Procedure Rule 2 (xiii).

## 2.6 Part 4, Section 3 – Budget and Policy Framework Procedure Rules and Part 4, Section 5 – Overview and Scrutiny Procedure Rules

Budget & Policy Framework Procedure Rule 4 and Overview & Scrutiny Procedure Rule 17 (a) contains provision for the Chairman of Overview & Scrutiny Committee to veto the implementation of an urgent business decision. This is a disproportionate level of power for an individual member and it is suggested that this be amended to the Chief Executive in consultation with the Chairman etc.

## 2.7 Part 4, Section 4 – Cabinet Procedure Rules

Cabinet Procedure Rule 1.3(a) allows the delegation of Executive functions. The amendment to this Rule included delegation to an individual Cabinet Member in addition to a Committee, an officer, etc. The Rule does not differentiate between executive decisions and Key Decisions. The delegation of Key Decisions is not permitted to individual Cabinet Members and this Rule should therefore be amended. Members need to consider whether they wish to allow the delegation of Key Decisions also to Cabinet Committees.

## 2.8 Part 4, Section 5 – Overview and Scrutiny Procedure Rules

There are several clarifications with regard to the call-in procedure, which have either been agreed previously by Council or where custom and practice has been developed and therefore the constitution requires updating.

- Rule 16 c) should read “...if so requested in writing or by e-mail from a known or recognised source by exactly 5.....and shall then notify the decision maker of the Call-in. This can be a collective notification from two or more Councillors from the same political group.”

- In order to comply with Council Minute 68(2)(ii) of 8<sup>th</sup> October 2003, Rule 16 e) should read:

“If, having considered the decision, a majority of the Overview and Scrutiny Committee is still concerned about it, then it may refer it back to the decision making person or body for further consideration, setting out in writing the nature of its concerns, or refer the matter to Council. In the case of Individual Cabinet Member decisions these will be referred to full Cabinet for reconsideration.”

- Furthermore the Overview and Scrutiny Committee passed the following resolution at its meeting on 2<sup>nd</sup> February 2005:

*“That in future, all decisions subject to a recommendation following a Call-in (whether delegated to an Officer, Individual Cabinet Member or full Cabinet), be referred back to full Cabinet for reconsideration, in the first instance and that the Council’s Constitution be amended accordingly.”*

The recommendation came about as the Committee had called-in a decision taken under delegated authority by the Head of Engineering Services. Members were concerned that according to the Constitution they were required to refer the decision back to the Officer for reconsideration and that this placed undue pressure on an officer, particularly when Council had agreed in October 2003 that individual Cabinet Members should not be placed in this position and in their case decisions would be referred to full Cabinet for reconsideration. Audit Committee is asked to consider this recommendation.

If agreed Rule 16 e) would require the following additional amendment:

“If, having considered the decision, a majority of the Overview and Scrutiny Committee is still concerned about it, then it may refer it back to the decision making person or body for further consideration, setting out in writing the nature of its concerns, or refer the matter to Council. In the case of Individual Cabinet Member and officer delegated decisions these will be referred to full Cabinet for reconsideration.”

- Rule 18 should read:

“At the discretion of the Chairman, other Members present may have the opportunity to question the decision-maker;

Before forming a decision, the Chairman may decide to adjourn the meeting in order to allow the Call-in signatories to reflect on the evidence received and to consider any recommendations they wish the Committee to consider.

The meeting then moves to forming a decision in accordance with the Council Procedure Rules.”

## 2.9 Part 5, Section 1 – Employees’ Code of Conduct

Employees Code of Conduct paragraph 4.1.3 should include reference to officers writing to the media.

## 3. Proposed amendments

- 3.1 Attached at Appendix A for Members’ guidance is suggested wording to incorporate each of the above options for amendment.

## FINANCIAL IMPLICATIONS

There are no financial implications as a direct result of this report. Amendments approved by Council will require revised pages to be printed and circulated to Members and Officers. The cost of printing can be contained within existing budgets for Democratic Representation.

## LEGAL IMPLICATIONS

Article 15 of the Constitution requires any amendments such as those included in this report to be considered by Audit Committee for recommendation to Council.

## COMMUNITY SAFETY IMPLICATIONS

None.

## HUMAN RIGHTS ACT IMPLICATIONS

None.

## RACIAL EQUALITY AND EQUAL OPPORTUNITIES IMPLICATIONS

All Council meetings must be held in a manner which allows equal access to all sectors of the community.

**SUSTAINABILITY IMPLICATIONS**

None.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to add.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no comments to add.

**BACKGROUND PAPERS**

Lancaster City Council Constitution

## PROPOSED CONSTITUTIONAL AMENDMENTS

### 1. Part 2, Article 12 – Officers

#### 12.01 Management Structure

- (a) **General** – The Council may engage such staff (referred to as Officers) as it considers necessary to carry out its functions.
- (b) **Head of Paid Service** – the Council will appoint a Chief Executive as Head of Paid Service. The Chief Executive will be appointed by the Council, having regard to recommendations made from an Appointments Panel. Corporate Directors will be appointed by an Appointments Panel.
- (c) **Chief Officers** – The Council will engage persons for the following posts. These posts will be designated Chief Officers:
- Corporate Director (Central Services)
  - Corporate Director (Community Services)
  - Corporate Director (Regeneration)
- together with Monitoring Officer and Chief Financial Officer (Section 151) where these functions are not performed by the posts above.
- (d) **Chief Executive, Monitoring Officer and Chief Financial Officer (Section 151)** - Will have the functions described in Article 12.02-12.04 below.
- (e) **Structure** - The Chief Executive will publicise a description of the overall departmental structure of the Council showing the management structure and deployment of Officers. This is set out at Part 7 of this Constitution.
- (f) **Restrictions on functions** – The Chief Executive may not be the Monitoring Officer. The Monitoring Officer cannot be the Chief Executive or Chief Financial Officer (Section 151). The Chief Financial Officer cannot be the Monitoring Officer.

#### 12.02 Functions of the Chief Executive

- (a) **Functions**
- (i) The Chief Executive is the Council's Head of the Paid Service
  - (ii) Overall corporate management and operational responsibility (including overall management responsibility for all Officers).
  - (iii) Provision of professional advice to all parties in the decision making process.
  - (iv) Together with the Monitoring Officer, responsibility for a system of record keeping for all the Council's decisions.
  - (v) Representing the Council on partnership and external bodies (as required by statute or the Council).



- (b) **Discharge of functions by the Council** – The Chief Executive will report to full Council and/or the Cabinet and any Committees or Overview and Scrutiny meeting on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of Officers required for the discharge of functions and the organisation of Officers.

**2 Part 3, Section 1 - Council**

**DELEGATIONS TO OFFICERS**

The following functions are delegated to the Officers of the City Council subject to each and every delegation being undertaken within:

- The policies and strategies of the Council within the policy framework; and
- Any legal constraints imposed on the Council; and
- The financial provision authorised by the Cabinet and the Council
- Any other relevant section of the Constitution.

**To the Chief Executive**

To sanction emergency action, as set out in the rules of procedure for urgent business.

**Part 4, Section 2 – Access to Information**

15.01 If a matter, other than a Key Decision, requires an urgent decision, the decision may still be taken if:

- (a) the decision must be taken by such a date that it is impracticable to defer the decision until the next appropriate meeting of the decision making body;
- (b) the proper officer has informed the Chairman of the relevant decision-making body and in the case of the Cabinet, the Cabinet Member with special interest for the area of responsibility; where the decision is one for full Council the Leader of each of the political groups must be informed.
- (c) any decision taken under this rule is reported into the next ordinary meeting of the decision making body; and

**3 Part 4, Section 1 – Council Procedure Rules**

**2. ORDINARY MEETINGS**

Ordinary meetings of the Council will take place in accordance with a programme decided by the Council. Ordinary meetings will:

- (i) elect a person to preside if the Mayor and Deputy Mayor are not present;
- (ii) approve the Minutes of the last meeting of the Council (whether Ordinary or Annual);
- (iii) items of urgent business authorised by the Mayor;
- (iv) receive any declarations of interest from Members;
- (v) receive any announcements from the Mayor or Chief Executive, or any Member with the permission of the Mayor;
- (vi) receive questions from, and provide answers to, the public in relation to matters which in the opinion of the person presiding at the meeting are relevant to the business of the meeting;
- (vii) deal with any business from the last Council meeting;
- (viii) receive written questions on notice from members of the Council and subsequent answers;
- (ix) receive a report from the Cabinet Leader and subsequent questions and on an annual basis from each Cabinet Member and Overview and Scrutiny Committee;
- (x) receive reports and referred items from Cabinet, Council Committees and Overview and Scrutiny;
- (xi) receive reports about and receive questions and answers on the business of joint arrangements and external organisations;
- (xii) consider motions on notice;
- (xiii) receive reports from the Council's Statutory Officers or any other Officer with the permission of the Chief Executive or at the request of the Chairman of Overview and Scrutiny or a Committee of Council.
- (xiv) consider any other business specified in the summons to the meeting, including appointments to Committees, Overview and Scrutiny and outside bodies;
- (xv) the last Ordinary meeting preceding the Annual Meeting will approve a programme of Ordinary meetings for Council for the next year;
- (xvi) receive Cabinet minutes.

**10. QUESTIONS BY THE PUBLIC**

**10.1 General**

Members of the public may ask questions of Members of the Cabinet or the Chairman of a Committee or Overview and Scrutiny meeting at ordinary meetings of the Council.

**10.3 Notice of Questions**

A question may only be asked if notice has been given by delivering it in writing or by electronic mail to the Chief Executive no later than midday 3 days before the day of the meeting. Each question must give the name and address of the questioner and must name the Member of the Cabinet or Chairman to whom it is to be put.

**10.5 Scope of Questions**

The Chief Executive may reject a question if it:

- (a) is not about a matter for which the Local Authority has a responsibility or which affects the District;
- (c) is defamatory, frivolous or offensive;
- (d) refers to applications for or objections to planning permission or any licence, notice or order issued, served or made by the Council
- (c) is substantially the same as a question which has been put at a meeting of the Council in the past six months; or
- (a) requires the disclosure of confidential or exempt information.

Notice will be given of the reason for rejecting questions.

**14.6 Amendments to Motions**

- (a) An amendment to a motion must be relevant to the motion and will either be:
  - (i) to refer the matter to an appropriate body or individual for consideration or reconsideration;
  - (ii) to leave out words;
  - (iii) to leave out words and insert or add others; or
  - (iv) to insert or add words

as long as the effect of (ii) to (iv) is not to negate the motion.

- (b) Only one amendment may be moved and discussed at any one time. No further amendment may be moved until the amendment under discussion has been disposed of.
- (c) If the proposer and seconder of a motion are in agreement, an amendment may be accepted as a 'friendly' amendment and be incorporated in the original motion as an alteration in accordance with Council Procedure Rule 14.7(b)

- (d) If an amendment is not carried, other amendments to the original motion may be moved.
- (e) If an amendment is carried, the motion as amended takes the place of the original motion. This becomes the substantive motion to which any further amendments are moved.
- (f) After an amendment has been carried, the Chairman will read out the amended motion before accepting any further amendments, or if there are none, put it to the vote.

**14.7 Alteration of Motion**

- (a) A Member may alter a motion of which they have given notice with the consent of the meeting. The meeting's consent will be signified without discussion.
- (b) A Member may alter a motion which they have moved without notice with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion.
- (c) Only alterations which could be made as an amendment may be made.

**4 Part 4, Section 1 – Council Procedure Rules – Addendum 2**

- (6) Where the subject matter of a petition or address received is within the terms of reference of Council , it shall be referred to the next convenient meeting of the relevant Council body within whose terms of reference it falls.
- (7) Where a petition or address is referred to a meeting of a Council body , that meeting shall either report upon the subject matter to the next meeting of the Council or committee, or include their views upon the subject matter in their next report to the Council or committee.

**5 Part 4, Section 2 – Access to Information Rules**

**17. REPORT TO COUNCIL**

**17.02 Requests for Reports to Council**

The Chairman of Overview and Scrutiny or any other Committees may request that a report be placed on the Council agenda in accordance with Council Procedure Rule 2 (xiii).

*Renumber Rules 17.02 and 17.03*

**6 Part 4, Section 3 – Budget and Policy Framework Procedure Rules and Part 4, Section 5 – Overview and Scrutiny Procedure Rules**

**4. Urgent Decisions Outside the Budget or Policy Framework**

The Cabinet or any of its Committees, Officers, or joint arrangements discharging executive functions may take a decision which is contrary to the Council's policy framework or contrary to or not wholly in accordance with the budget approved by Council if the decision is a matter of urgency. However, the decision may only be taken:

- (i) if it is not practical in the opinion of the Chief Executive to convene a quorate meeting of the Council; and
- (ii) the Chief Executive after consultation with the Chairman of the Overview and Scrutiny Committee agrees that the decision is a matter of urgency.

The reasons why it is not practical to convene a quorate meeting of the Council and the reasons for the decision being taken as a matter of urgency must be noted on the record of the decision. In the absence of the Chairman of the Overview and Scrutiny Committee, consultation with the Vice-Chairman, and in the absence of both, the Mayor will be sufficient.

**7 Part 4, Section 4 – Cabinet Procedure Rules**

**1.3 Delegation of Executive Functions**

- (a) Where the Cabinet is responsible for an Executive function, they may, with the exception of Key Decisions, collectively delegate further to an individual Cabinet member, a Committee of Cabinet, an Area Committee, joint arrangements or an Officer, unless the Council directs otherwise.
- (b) Unless the Cabinet directs otherwise, a Committee of the Cabinet to whom functions have been delegated by the Cabinet may delegate further to an Officer.
- (c) Even where Executive functions have been delegated, that fact does not prevent the discharge of these delegated functions by the Cabinet or Committee of the Cabinet who delegated, if appropriate.

**8 Part 4, Section 5 – Overview and Scrutiny Procedure Rules**

**16. Call-In Arrangements**

- (c) During that period, the Chief Executive shall call-in a decision for scrutiny by the Overview and Scrutiny Committee if so requested in writing or by e-mail from a known or recognised source, by exactly 5 non-Cabinet Councillors, not all of the same political group, of which two must be members of the Overview and Scrutiny Committee and shall then notify the decision-maker of the Call-in. The decision shall be considered by the Overview and Scrutiny Committee within 10 days of the decision to Call-in, and, if necessary, this may be dealt with as an item of urgent business at a scheduled meeting of the Overview and Scrutiny Committee within that period. This can be a collective notification from two or more Councillors of the same political group.
- (e) If, having considered the decision, a majority of the Overview and Scrutiny Committee is still concerned about it, then it may refer it back to the decision making person or body for further consideration, setting out in writing the nature of its concerns, or refer the matter to Council. In the case of Individual Cabinet Member **and officer delegated** decisions these will be referred to full Cabinet for reconsideration.

**18. CALL-IN PROCEDURE**

In considering a Call-in decision the following procedure will be followed:

- The Councillors who have made the Call-in request (who shall be seated together) will outline the reasons for the Call-in;
- The relevant decision-maker(s), with support from the appropriate officer(s) (who shall be seated together), will outline the reasons for their decision and the issues that they took into account;
- Councillors who are signatories to the Call-in request will have the opportunity to question the decision-maker;
- Other Members of the Overview and Scrutiny Committee will have the opportunity to question the decision-maker;
- At the discretion of the Chairman, other Members present may have the opportunity to question the decision-maker;
- Before forming a decision, the Chairman may decide to adjourn the meeting in order to allow the Call-in signatories to reflect on the evidence received and to consider any recommendations they wish the Committee to consider.
- The meeting then moves to forming a decision in accordance with the Council Procedure Rules.

**9 Part 5, Section 1 – Employees’ Code of Conduct**

**4.1.3 How To Comply With The Standard**

- (a) Services should only act on decisions made by the Council, the Cabinet or Regulatory Committees convened and minuted by the Chief Executive or by an officer authorised to act on behalf of the Chief Executive, and should not act on the instruction of a Member acting individually.
- (b) You should only act on decisions under the direction or instruction of your Service Head or Director, and not that of individual Members.
- (c) If you are in any doubt as to the legitimacy of a decision of a Member meeting, you should seek the advice of the Administration Service, Financial Service or Legal Service before acting on that decision.
- (d) Do not allow your own personal or political opinions to interfere with your work, or to bias your approach to dealings with any Member, of whatever party.

Officers should not challenge the Council as an employer by writing to the media.

- (f) Officers must not give political advice.
- (g) You should not advise political groups unless specifically required to do so by the Chief Executive, or by an officer authorised to act on behalf of the Chief Executive.

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**Meeting of:** AUDIT COMMITTEE

**Date:** 19<sup>TH</sup> OCTOBER 2005

**Report of:** HEAD OF ADMINISTRATION SERVICES

**Reference:** CST

**Title:** FREEDOM OF INFORMATION

## **PUBLIC/EXEMPT ITEM**

This report is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

This report provides information on the current position regarding implementation of the Freedom of Information Act.

## **RECOMMENDATIONS**

**That the report be noted.**

## **REPORT**

### **Introduction:**

In January 2005 the Freedom of Information Act 2000 came fully into force giving new rights of access to information held by public bodies. Requests must be made in writing, which includes e-mail and fax, and the requestor must provide a name and address, even if it is an e-mail address. As a Local Authority the City Council has a duty to provide advice and assistance to the requestor, and to reply to requests within 20 working days. The Council must also produce and maintain a Publication Scheme which is available on the website and lists all published information and how it can be obtained.

The Council's Information Management Strategy was adopted by Cabinet in December 2004 together with a Freedom of Information Policy document. The officer working group lead by the Corporate Director (Central Services) as the Council's FOI Champion and comprising the Heads of Administration, Legal and Information Services and the Information Management Officer (based in Administration Services) were responsible for producing these documents and also developed a protocol for internal use and guidelines for the public. A form on which to apply for information is also available both in hard copy form at receptions or on the internet.

An initial briefing for Service Heads had been held in July 2004 and this was followed by and a training and awareness programme been prepared by the Working Group in consultation with the Training and Development Officer. Freedom of Information was the subject of a well attended staff briefing in December 2004, and leaflets were produced and distributed to raise staff awareness on how to recognise a request for information. Key officers in each Service were identified, usually the Information Custodians, to act as a first point of contact for their Service and specific training sessions were held for them and for front line/reception staff most likely to be questioned on how to obtain information.

The Information Management Officer continues to attend various networking meetings across the North West and shares information with colleagues on the development of Information Management Strategies and in particular the implementation of Freedom of Information responsibilities on a regular basis in order to ensure that best practice is constantly adhered to.

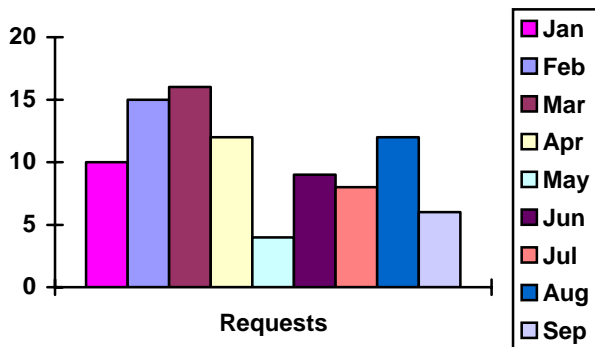
**The Year to Date**

Information holding spreadsheets have been collated which had added general information to the personal data records obtained as part of the Data Protection Policy to enable any requests for information to be directed to the correct Service as quickly as possible.

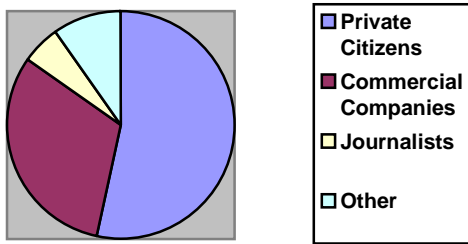
The Information Management Group continues to meet on a monthly basis to discuss any issues arising out of requests received. All incoming requests are logged and tracked by the Information Management Officer and reported on a weekly basis to the Corporate Director (Central Services).

Nearly 100 requests have been received over the past 9 months, all of which have been dealt with within the statutory timescale. The numbers of requests received by month and by source are shown on the graphs below.

**FOI Requests By Month**



### FOI Requests By Source



It is proposed to carry out a full review of the Council's Publication Scheme shortly. This is to ensure that as much material as possible is made publicly available and also to ensure compliance with the Re-use of Public Sector Information Regulations which have recently come into force under which the Council needs to identify whether each piece of information has a commercial value and should be copyrighted or whether it can be re-used by any third parties.. One particular change has already been identified and from January 2006 it is intended to follow good practice adopted by other Councils and publish food hygiene reports on the Council's website. This is as a direct result of requests made under the new legislation.

Other topics on which information has been requested include:

- Copies of the Cooling Tower register held by Environmental Health.
- Taxi licensing.
- Service structure.
- Fleet vehicles and their insurance.

### FINANCIAL IMPLICATIONS

There are no direct financial implications as a result of this report. Monitoring of the number of requests and the officer time required to respond continues to be undertaken in order that any cost implications of the Act can be identified.

Under the legislation fees may be charged but cannot be more than 10% of the cost of retrieving the information, plus actual copying costs. Where this exceeds £450 the Council may refuse to comply with the request or may charge the full cost.

The City Council has agreed that it will not normally charge for providing information where the cost is minimal, taking less than an hour of officer time. Compliance with the legislation is currently being maintained within existing resources.

### LEGAL IMPLICATIONS

Freedom of Information legislation places a responsibility on all Councils to respond to requests within a set period of time.

### COMMUNITY SAFETY IMPLICATIONS

None directly arising.

**HUMAN RIGHTS ACT IMPLICATIONS**

None directly arising.

**RACIAL EQUALITY AND EQUAL OPPORTUNITIES IMPLICATIONS**

None directly arising.

**SUSTAINABILITY IMPLICATIONS**

None directly arising.

**MONITORING OFFICER'S COMMENTS**

The monitoring arrangements and operational protocols have ensured that the Council has managed to deal with all requests within the statutory timescales and within existing manpower/resource constraints.

**DEPUTY SECTION 151 OFFICER'S COMMENTS**

The Deputy s151 Officer has been consulted and has no further comments.

**LIST OF BACKGROUND PAPERS**

Freedom of Information Act 2000

**Meeting of:** AUDIT COMMITTEE  
**Date:** 19 OCTOBER 2005  
**Report of:** HEAD OF FINANCIAL SERVICES  
**Reference:** HFS/soa2005  
**Title:** STATEMENT OF ACCOUNTS 2004/05

#### **PUBLIC/EXEMPT ITEM**

This report is for consideration in the public part of the meeting.

#### **PURPOSE OF THE REPORT**

This report updates Members regarding the audit of the draft Statement of Accounts for 2004/05.

#### **RECOMMENDATIONS**

- 1. That Committee notes the position regarding the audit of the 2004/05 Accounts, and makes recommendations as appropriate.**

#### **REPORT**

- 1.1 At the last Committee meeting held on 28 July, the draft Statement of Accounts for 2004/05 were presented for approval, together with information on the audit process; the District Auditor commenced the audit of accounts on Tuesday 05 July.
- 1.2 At the timing of writing this report the audit has not yet been completed fully but it is expected that there will be no significant issues or 'non-trifling' matters to report on. There are, however, some minor amendments to the accounts that are expected to be agreed with the Auditor, mainly in connection with notional capital charges and the pooling of capital receipts arising from mortgage repayments.
- 1.3 Work is currently underway in agreeing the amendments; as soon as this has been done revised Accounts will be circulated to the Committee for consideration, together with details of any amendments and the outcome of the audit. It is envisaged that this information will be circulated for the Committee meeting on 19 October. This is in order that the final Accounts can be published by the deadline of 31 October.

#### **FINANCIAL IMPLICATIONS**

Any financial implications arising from the outcome of the audit will be outlined with the information to be circulated in due course.

#### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

#### **COMMUNITY SAFETY IMPLICATIONS**

None directly arising.

**HUMAN RIGHTS ACT IMPLICATIONS**

None directly arising.

**RACIAL EQUALITY AND EQUAL OPPORTUNITIES IMPLICATIONS**

None directly arising.

**SUSTAINABILITY IMPLICATIONS**

None directly arising.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to add.

**DEPUTY SECTION 151 OFFICER'S COMMENTS**

This report was prepared by the s151 officer as part of her responsibilities. Clearly the subject of the report is subject to external audit, the outcome of which will also be reported to Members.

**LIST OF BACKGROUND PAPERS**

Draft Statement of Accounts 2004/05.  
Accounts and Audit Regulations 2003.

**Meeting of:** AUDIT COMMITTEE

**Date:** 19 OCTOBER 2005

**Report of:** CORPORATE DIRECTOR (CENTRAL SERVICES)

**Reference:** aud/audcomm/191005

**Title:** 2004/05 STATEMENT ON INTERNAL CONTROL  
AND CORPORATE GOVERNANCE

## **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

To seek the Committee's approval for the draft Statement on Internal Control and Corporate Governance (SIC&CG) for the 2004/05 financial year.

## **RECOMMENDATIONS**

- 1. That the Statement on Internal Control and Corporate Governance for 2004/05 as set out at Appendix B be approved for signing by the Leader of the Council, Chief Executive, Section 151 Officer and Monitoring Officer.**
- 2. That the contents of the draft Action Plan (Appendix C) and proposals to incorporate actions in the Corporate Improvement Plan are endorsed.**

## **REPORT**

### **Introduction**

The terms of reference of the Audit Committee include: *To approve the annual Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts under the Accounts and Audit Regulations* (the Constitution, part 3 section 8).

A report elsewhere on the agenda seeks Committee approval for the actual Statement of Accounts. This report outlines the elements needed in relation to the systems of internal control, a statement on which must be published alongside the financial statements.

### **Accounts & Audit Regulations 2003**

Regulation 4 requires the Council to maintain a sound system of internal control, including risk management, and introduced a requirement for authorities to review the systems of internal control and publish an annual Statement on Internal Control (SIC) alongside the financial statements.

The Regulations simply state that the SIC should be 'prepared in accordance with proper practices'. In practice, CIPFA is the primary source of guidance on what constitutes proper practice.

## **Developments Since 2003/04**

The regulations allowed for a “transitional” SIC to be produced for the financial year 2003/04, recognising that many authorities would not have the mechanisms in place to be able to produce a fully compliant statement. Lancaster City Council’s statement for 2003/04 was drafted under these transitional arrangements.

For 2004/05 onwards, the transitional arrangements no longer apply and all authorities are now required to produce a compliant statement. In helping achieve this, CIPFA has developed and published further detailed guidance on the production of the SIC.

## **Management Group**

A Management Group, comprising the Corporate Director (Central Services), the Head of Financial Services and the Internal Audit Manager has been established to oversee developments and to prepare the Statement.

## **Internal Control & Corporate Governance Database**

To coordinate the review exercise, Internal Audit has established an “Internal Control & Corporate Governance” database, comprising a framework of controls based on the guidance issued by CIPFA. In compiling the Statement, this database has been reviewed and further developed by the Management Group.

Following an initial assessment undertaken by Internal Audit of the identified controls, the Management Group has undertaken its own evaluation exercise and consulted with the Council’s Management Team, resulting in the scoring demonstrated in the Overview Chart and Evaluation Reports attached at Appendix A.

The finally agreed framework consists of a set of sixty-seven internal control features within the following eight headings:

1. Statutory Obligations
2. Corporate Objectives
3. Corporate Governance
4. Performance Management
5. Risk Management
6. Internal Control
7. Assurance
8. Statement on Internal Control

## **Assurance**

At a lower level, the database contains details of around 150 identified “sources” of assurance, ranging from official documents such as the Constitution to review reports such as Internal Audit and External Audit reports, to procedures such as one-to-one management meetings. Links are made in the database between the sources of assurance and the relevant internal control feature.

Statements of Assurance regarding their areas of responsibility for Internal Control have been completed by Service Heads and the results of these have been incorporated into the overall evaluation. The assurances and opinions expressed by Service Heads have been substantially consistent across Services and have generally supported other evidence regarding the Corporate position.



### **The Draft Statement on Internal Control & Corporate Governance**

CIPFA guidance states that the SIC '*...represents the end result of the review of internal control, including the process of risk management, that should be embedded throughout the activities of the authority. As such, production of the SIC should not be conducted as an 'add-on' end of year activity. It should explain the nature of control, and any material changes in control, exercised through the whole of the accounting period.*

Drawing on the results of the evaluation exercise, the Management Group has developed the draft SIC&CG attached at Appendix B. The timescale for the production of the Statement is in line with that for the publication of the financial statements (i.e. 31 October 2005) and the Statement must be approved at a meeting of the Council or delegated committee (i.e. the Audit Committee). The Statement itself follows the statutorily prescribed format, with the following headings:

1. Scope of Responsibility
2. The Purpose of the System of Internal Control
3. The Internal Control Environment
4. Review of Effectiveness
5. Significant Internal Control Issues

As well as addressing the requirements of the Accounts and Audit Regulations, the publication of a Statement on Internal Control and Corporate Governance (as opposed to a Statement on Internal Control) complies with both:

- a) the existing Local Government Statement of Recommended Practice (SORP), which calls for a Statement on Internal Financial Controls (SIFC); and
- b) the CIPFA/SOLACE framework for Corporate Governance, which suggested that a wider corporate governance assurance statement be included with the financial statements.

### **Signatories to the Statement**

The statutory requirement is that the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent) should sign the Statement. They must be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment. This emphasises that the document is about all corporate controls and is not confined to financial issues. As the statement covers the requirements to produce a statement on Corporate Governance and on Internal Financial Control, it is recommended that the S151 Officer and Monitoring Officer also sign the statement (as was the case for the 2003/04 Statement).

### **Action Plan**

An Action Plan (attached at Appendix C) has been drafted in response to the control issues identified in the Statement. It can be seen from this document that significant progress has already been made on many of the issues. To ensure a cohesive approach, the actions identified have been aligned with existing actions in the Council's Improvement Plan and will be fully incorporated in the next review of that document.

**FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report. The attached SIC highlights that overall, it is felt that effective financial controls are in place.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

**DEPUTY MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has been consulted and her comments reflected in the report

**SECTION 151 OFFICER'S COMMENTS**

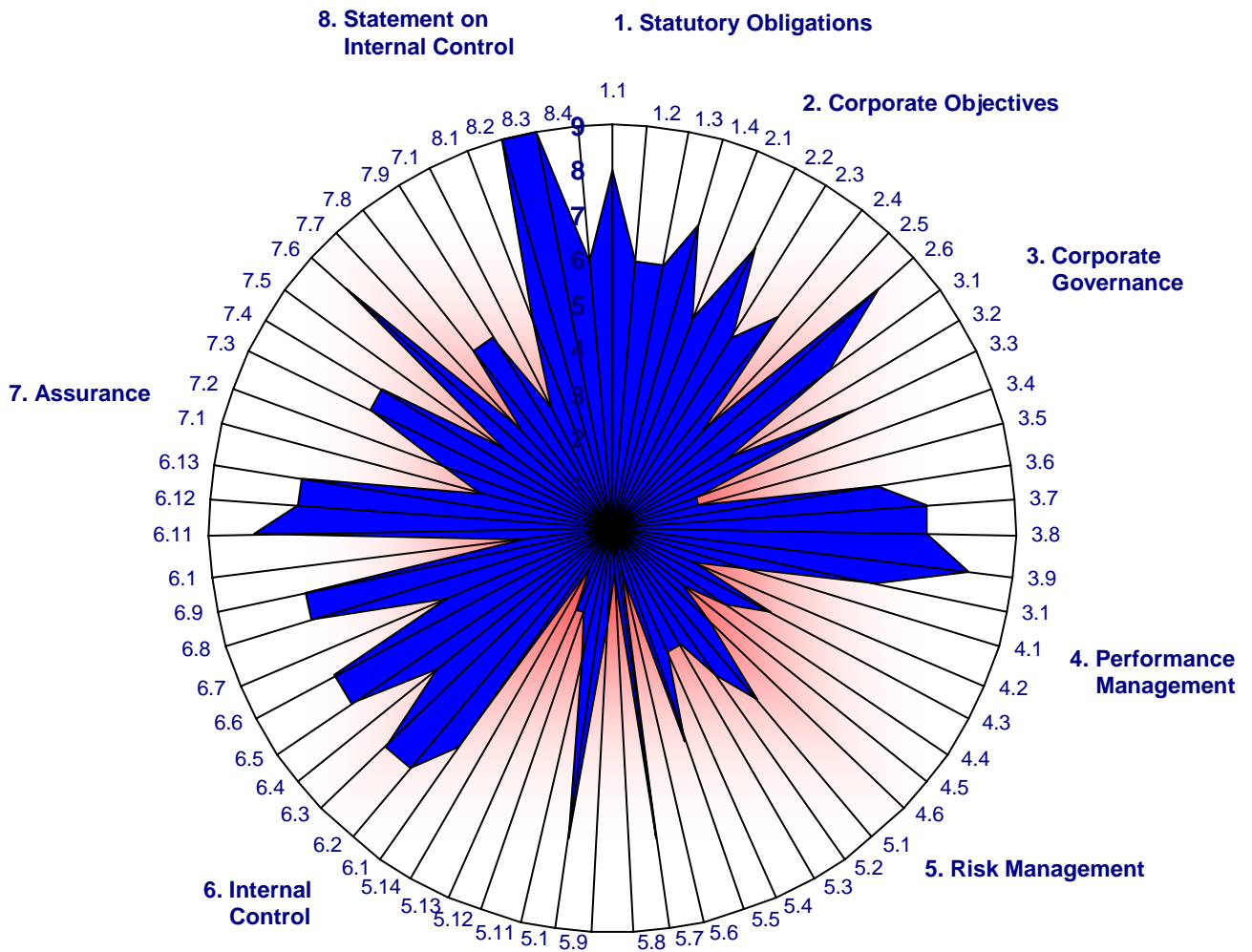
The proposals cover the s151 Officer's responsibilities in relation to ensuring that there is an effective system of internal financial control within the Council.

**BACKGROUND PAPERS**

Accounts and Audit Regulations 2003.



**Internal Control & Corporate Governance Framework Overview 2004/05 (Management Group Evaluation)**



The chart maps the scores produced by the SIC Management Group for each of the 67 internal control features in the framework (which are numbered around the edge). The blue areas represent the extent to which the Council's arrangements are judged to provide effective control (i.e. the larger the blue area, the better).

Where larger areas of white, and particularly red, are displayed, the greater the scope and need to improve arrangements.

## Management Group Evaluation

<b>1 Statutory Obligations</b>		<b>Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
1.1	Responsibilities for statutory obligations are formally established	8	
1.2	Statutory obligations are communicated to and understood by all relevant people in the organisation	6	
1.3	Effective procedures exist to identify, evaluate, communicate, implement, comply with, and monitor legislative change	6	
1.4	Effective action is taken where areas of non-compliance are found either in mechanism or legislation	7	
<b>2 Corporate Objectives</b>		<b>Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
2.1	Consultation with stakeholders on priorities and objectives	5	
2.2	The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation)	7	
2.3	Priorities and objectives are aligned to principal statutory obligations and relate to available funding	5	
2.4	Resources are allocated according to corporate priorities	6	
2.5	Objectives are reflected in departmental plans and are clearly matched with associated budgets	3	
2.6	The authority's objectives are clearly communicated to staff and to all stakeholders	8	
<b>3 Corporate Governance</b>		<b>Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
3.1	Code of corporate governance established	6	
3.2	Review and monitoring arrangements in place	3	
3.3	Committee charged with governance responsibilities	6	
3.4	Governance training provided to key officers and all members	2	
3.5	Staff, public and other stakeholder awareness of corporate governance	2	
3.6	Encourage community/stakeholder engagement and establish clear channels of communication.	6	
3.7	The authority maintains an objective and professional relationship with its external auditors and statutory inspectors and puts in place arrangements for the effective implementaton of agreed actions.	7	
3.8	Clear, documented and understood management processes for policy development, implementation and review and for decision making, monitoring and control, and reporting.	7	
3.9	Services are delivered by trained and experienced people.	8	
3.10	Appropriate procedures to ensure the openness, integrity and accountability of officers and members.	6	

## Management Group Evaluation

<b>4 Performance Management</b>		<b>Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
4.1	Standards and targets for performance in the delivery of services are set on a sustainable basis and with reference to equality policies.	3	
4.2	Comprehensive and effective performance management systems operate routinely	2	
4.3	Key performance indicators are established and monitored	4	
4.4	The authority knows how well it is performing against its planned outcomes	3	
4.5	Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes	2	
4.6	The authority continuously improves its performance management	3	
<b>5 Risk Management</b>		<b>Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
5.1	There is a written strategy and policy for managing risk	5	
5.2	The authority has implemented clear structures and processes for risk management which are successfully implemented	4	
5.3	The authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff	3	
5.4	The authority has well defined procedures for recording and reporting risk	3	
5.5	The corporate/departmental risk register(s) includes expected key controls to manage principal risks	5	
5.6	Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed	1	
5.7	The authority has well-established and clear arrangements for financing risk	7	
5.8	The authority has developed a programme of risk management training for relevant staff	1	
5.9	The corporate risk management board (or equivalent) adds value to the risk management process	2	
5.10	A corporate risk officer has been appointed with the necessary skills to analyse issues, offer options and advice and support decision making and policy formulation.	7	
5.11	Managers are accountable for managing their risks	3	
5.12	Risk management is embedded throughout the authority	2	
5.13	Risks in partnership working are fully considered	2	
5.14	Where employed, risk management information systems meet users' needs	1	

## Management Group Evaluation

<b>6 Internal Control</b>		<b>Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
6.1	Financial management arrangements ensure public funds are properly safeguarded and are used economically, efficiently and effectively.	6	
6.2	Written financial regulations are in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff	7	
6.3	There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff	7	
6.4	There is a whistleblowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	5	
6.5	There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	7	
6.6	There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff	7	
6.7	A register of interests is maintained, regularly updated and reviewed	4	
6.8	Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff	7	
6.9	A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff	7	
6.10	Business/service continuity plans have been drawn up for all critical service areas	2	
6.11	The authority's internal control framework is subject to regular independent assessment	8	
6.12	A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff	7	
6.13	A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders and is regularly reviewed	7	
<b>7 Assurance</b>		<b>Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
7.1	The authority has determined appropriate internal and external sources of assurance	3	
7.2	Appropriate key controls on which assurance is to be given have been identified and agreed	4	
7.3	Mechanism established for collecting SIC assurances	6	
7.4	Department heads provide assurance statements that key controls are in place and have been in operation for the period concerned.	6	
7.5	External assurance reports are collated centrally	3	
7.6	Internal Audit reports regularly to the Audit Committee and the Head of Internal Audit provides an annual report , including an opinion on the internal control framework.	8	
7.7	Responsibilities for the evaluation of assurances are clearly defined throughout the organisation	3	
7.8	A 'SMART' (Specific, Measurable, Achievable, Realistic and Time-bound) action plan is drawn up and approved	5	
7.9	Actions are communicated and responsibilities for implementation within agreed timescales are assigned	5	
7.10	Ongoing review of progress and of continuing appropriateness of action	3	

**Management Group Evaluation**

8	Statement on Internal Control	Score	
8.1	Annual reporting of the Authority's activities and achievements, financial position and performance.	5	
8.2	Responsibilities for the compilation, signing and reporting of the Statement on Internal Control in accordance with statutory requirements have been assigned	9	
8.3	There is a timetable for the production and publication of the Statement on Internal Control that meets the statutory deadline	9	
8.4	The Statement on Internal Control is reviewed, challenged and approved by the authority	6	

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## STATEMENT ON INTERNAL CONTROL AND CORPORATE GOVERNANCE 2004/05

### 1. SCOPE OF RESPONSIBILITY

Lancaster City Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Lancaster City Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. To this end the Council has adopted a Constitution and Code of Corporate Governance which is consistent with CIPFA/SOLACE<sup>1</sup> framework – *Corporate Governance in Local Government: A Keystone for Community Governance*. A full copy of the [Council's Constitution](#) is available on the Council's website.

Regulation 4 of the Accounts and Audit Regulations (2003) requires audited bodies<sup>2</sup> to conduct a review at least once a year of the effectiveness of its internal control and risk management systems and to publish a statement on internal control (SIC) each year with the financial statements.

### 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Effective systems of internal control are based on an ongoing risk management process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

### 3. THE INTERNAL CONTROL ENVIRONMENT

The system of internal control has been in place at Lancaster City Council for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and, except for the details of significant control issues set out in section 5, accords with proper practice.

The following sets out the key elements of the Council's internal control environment:

- The Council has adopted a constitution (recently revised), which sets out how we operate, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people.

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<sup>1</sup> The "Chartered Institute of Public Finance & Accountancy" and the "Society of Local Authority Chief Executives."

<sup>2</sup> Those bodies whose accounts are audited in accordance with Section 2 of the Audit Commission Act 1988

## Appendix B

- The facilitation of policy and decision making, in line with the Council's overall budget and policy framework, is established through the Council's Cabinet, with any key decisions (as defined in the Constitution) outside of this framework being referred to the Council as a whole. The Council publishes a Forward Plan containing details of key decisions made on behalf of the Council by Cabinet and by senior officers under their delegated powers.
- The adopted Code of Corporate Governance sets out how the values of openness, inclusivity, integrity and accountability are applied to the Council's activities, in line with the principles and requirements of the CIPFA/SOLACE<sup>3</sup> framework – *Corporate Governance in Local Government: A Keystone for Community Governance*.
- A [Risk Management Policy](#) and [Strategy](#), in place since December 2003, sets out the framework for managing risk throughout the Council. Senior officers of the Council have primary responsibility to effectively manage strategic and operational business risks relating to their Service. The process of identifying, assessing and managing these risks will be underpinned by the Council's Risk Register which is currently under development.
- The Council seeks to ensure the economical, effective and efficient use of resources and continuous improvement in the way in which we exercise our functions through reviews carried out by Cabinet's Star Chamber, our Internal Audit and Best Value review teams and those conducted by our external auditors and other external agencies.
- The Corporate Director (Central Services) is the Council's designated Monitoring Officer with responsibility for promoting and maintaining high standards of financial conduct and for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer is required to report any actual or potential breaches of the law or maladministration to full Council and supports The Standards Committee in their function of promoting and maintaining high standards of conduct of Councillors and co-opted Members.
- The Council's commitment to high standards of conduct and integrity are supported by our established codes of conduct for employees and elected Members and probity is maintained through our Anti-Fraud and Corruption [Policy](#) and [Strategy](#) and the [Whistleblowing Policy](#).
- The financial management of the Council is conducted in accordance with mandatory rules set out in the Financial Regulations and Procedures within the Constitution. The Council also has in place a three-year Medium Term Financial Strategy to support the key priorities and objectives set out in the Council's Corporate Plan, and the Head of Financial Services has statutory duties for the financial administration and stewardship of the Council, in accordance with Section 151 of the Local Government Act 1972.
- Internal Audit operates to the standards set out in the '*CIPFA Code of Practice for Internal Audit in Local Government 2003*' and the Council has established an objective and professional relationship with our external auditors and other statutory inspectors.

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<sup>3</sup> The "Chartered Institute of Public Finance & Accountancy" and the "Society of Local Authority Chief Executives."

## Appendix B

- The Council's performance management framework is driven by our Corporate Plan which focuses attention on our corporate priorities and objectives, which are in turn cascaded into Service business plans and individual employee appraisals and action plans. Cabinet's Performance Review Committee monitors progress against performance targets in the Corporate Plan and in other priority areas of Council activity, approving corrective action where necessary and the Budget and Performance Panel of the Overview and Scrutiny Committee provides a policy review and scrutiny function of the Council's overall and service specific budgetary and performance management.
- The Council sets out its approach to partnering in service delivery and in construction projects through the introduction of the [Framework for Partnership Working](#) and the [Procurement through Partnering Guidelines](#) published in November 2004. These documents set out clear guidance on how the Council will meet the strategic objective of delivering better services to citizens through the creation of sustainable partnerships between the Council and suppliers in the public, private and voluntary sectors and the carrying out of major projects, including construction.

#### 4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the systems of internal control. The review of the effectiveness of internal control is informed by the work of internal auditors and senior managers of the Council who have responsibility for the development and maintenance of the systems of internal control, and also by comments made by the Council's external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The following are the main processes applied in maintaining and reviewing the effectiveness of the systems of internal control and governance:

- The Audit Committee and the Corporate Director (Central Services), in his role as the Council's Monitoring Officer, have a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. A function of full Council is to adopt and change the Constitution following recommendation(s) from the Monitoring Officer and/or Audit Committee
- The Council's Overview and Scrutiny Committee has responsibility to consider and, if necessary, 'call-in' decisions made by Cabinet and the Budget and Performance Panel reviews the Council's budget and performance at both a strategic and service level
- The Audit Committee has responsibility for reviewing the local Code of Corporate Governance, including risk management and internal control. The Council's assurance statement on corporate governance is assimilated within this Statement of Internal Control and Corporate Governance
- The Audit Committee also reviews the adequacy of internal controls and risk management arrangements, monitoring the performance of Internal Audit and agreeing the external audit plan
- Internal Audit is responsible for providing assurance on the effectiveness of the Council's systems of internal control, including arrangements for risk management and governance. Internal Audit's role is to assist managers by evaluating the control environment, providing assurance wherever possible and agreeing actions to optimise levels of control. The Council's external auditors place reliance on the work of Internal Audit in fulfilling their statutory duties and regularly inspect Internal Audit work
- The Internal Audit Manager is responsible for submitting an annual report to the Audit Committee detailing the performance of Internal Audit for the previous financial year, and

## Appendix B

giving an opinion on the effectiveness of the Council's systems of internal control

- The Council's performance framework continues to evolve with work continuing to integrate the Council's strategic arrangements for the performance and risk management functions and the business planning process. During 2004/05 the Council has been working closely with consultants to develop an integrated performance management system which will provide improved and more efficient production of performance information. In addition, an in-house risk management database is being developed to identify, assess and monitor risks at both a corporate and service level
- [The Comprehensive Performance Assessment](#) carried out by the Audit Commission assessed the Council as a 'Fair' performing authority, placing it in the middle of a range of possible scores from Poor to Excellent. The report identified areas for improvement, particularly around prioritisation and performance management. Ways to address these as well as other priority action areas are incorporated within our Corporate Improvement Plan (BVPP)
- In December 2004, the Audit Commission, in their [Annual Audit Letter](#), acknowledged that the Council had developed an ambitious improvement plan which demonstrated a clear focus and commitment to achieving better outcomes for the community and that we had *'achieved a lot in a relatively short space of time'*
- During 2004/05 the Council also invited the Audit Commission to undertake a detailed review and report upon the Council's performance management arrangements. Their report recognises that the Council has made good progress in developing its performance management framework and highlights other areas, particularly risk management and business planning, in need of further improvement. An action plan is to be drawn up to address these issues once the Audit Commission's report has been finalised
- The Council reviewed and revised its Financial Regulations and Contract Procedure Rules in 2004/05; has continued to develop its role as a community leader and improved its arrangements for consulting with the public and working in partnership with public, private and voluntary sector organisations
- The Council worked with its partners within the Local Strategic Partnership to develop the [Community Strategy](#) which, following extensive consultation, sets out 'A vision for the year 2020' and the Council has developed clear links within its Corporate Plan relating to the aims of the Community Strategy.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

Work carried out by both our external and internal auditors has indicated that effective internal financial controls exist within the Council's main financial systems to ensure the accuracy and integrity of the information they provide and no significant control weaknesses have been brought to our attention.

From assurances provided from the review of the effectiveness of our systems of internal control and the corporate governance framework, it is our opinion that they accord with proper practice and are working effectively.

Whilst the Council has received praise from the Audit Commission and other external inspectors and peers we recognise that more needs to be done in order to address any significant issues affecting the Council and to ensure continuous improvement of our already considerable governance controls, and to that end we will:

- **Formulate and specify corporate objectives, priorities and policies** by maintaining the validity of strategic plans through community input and clarifying plans for delivery of the Community Strategy between partners to ensure that throughout the Council there is a clear understanding of our priorities
- **Translate corporate priorities into service objectives, action plans and resource needs** by making further improvements to the business planning process, including the evaluation of service performance linked to plans; through more robust resource planning to deliver corporate objectives/priorities and by embedding a corporate approach to managing risks and maximising opportunities in the decision making process
- **Review progress, outcomes and performance against objectives** through greater clarity of the Council's performance management framework and a more consistent and co-ordinated approach to capturing and reviewing performance information
- **Resource and implement action plans** through the development of our workforce planning arrangements to ensure that our staff have the necessary skills and training to deliver services and by improving our 'value for money' arrangements in line with the requirements of the Government's efficiency review
- **Formalise the arrangements for the compilation of the Statement of Internal Control and Corporate Governance (SIC&CG)** through the establishment of a management group responsible for the SIC&CG and by defining responsibilities for identifying and evaluating assurances and supporting evidence
- **Conduct a review of our probity arrangements** through a formal review programme of the Council's Whistleblowing and Counter Fraud and Corruption policies and Codes of Conduct
- **Review our Business continuity and emergency planning (Civil Resilience) arrangements** by assessing the impact of the Civil Contingencies Act on current arrangements and formalising actions needed to ensure compliance by the time the Act comes into force in November 2005
- **Develop our Best Value Procurement arrangements** by reviewing our procurement practices in line with national guidelines and by revising our procurement strategy aimed at establishing a more holistic and corporate approach to procurement

**I Barker**  
**Leader of the Council**

**M Cullinan**  
**Chief Executive**




**R Muckle**  
**Corporate Director Central Services**  
**(Monitoring Officer)**

**N Muschamp**  
**Head of Financial Services**  
**(Section 151 Officer)**

**Draft**





## APPENDIX C - STATEMENT OF INTERNAL CONTROL &amp; CORPORATE GOVERNANCE ACTION PLAN

Area for Improvement	Action(s) Required	Timescale	By whom?	Current Status	Traffic light
Formulate and specify corporate objectives, priorities and policies	Maintain the validity of strategic plans through community input and consultation and implement measures to ensure that consultation is co-ordinated and successful	March 2006	Cabinet, CE & HCS	Improvements made through the introduction of a corporate Consultation Strategy. An Annual Consultation process is now planned aimed at informing the decision making process. Corporate Plan priorities are now more focussed with clear links to the Community Strategy	Amber 
	Clarify plans for delivery of the Community Strategy with key stakeholders to ensure that there is a clear understanding of priorities and required outcomes	March 2006			
Translate corporate priorities into service objectives, action plans and resource needs	Continue to improve the business planning process by evaluating service performance linked to plans	March 2006	CD(Com)	Some improvement through the introduction of a business planning timetable, improved links to the Corporate Plan and the developing role of Star Chamber. Corporate and Service specific risk registers are being developed and populated	Amber 
	Develop robust resource planning to deliver corporate objectives/priorities	March 2006	Cabinet, CD(Cen) & HFS		
	Develop the Council's approach to identifying risks and maximising opportunities in the decision making process	March 2006	CD(Cens), HFS & All Service Heads		
Resourcing and implementing action plans	Develop our workforce planning arrangements to ensure that our staff have the necessary skills and training to deliver services	March 2006	CE & HHR	Significant improvements made particularly around Member roles and responsibilities and a more customer focussed approach to service delivery. Workforce and VFM Strategies are now being developed	Amber 
	Improve on our 'value for money' arrangements in light of the Government's efficiency savings requirements	March 2006	CD(Cen) & HFS		

**KEY:** **CE:** Chief Executive; **CD(Cen):** Corporate Director (Central Services); **CD(Com):** Corporate Director (Community Services);  
**MT:** Management Team; **HCS:** Head of Corporate Strategy; **HFS:** Head of Financial Services; **HHR:** Head of Human Resources



**APPENDIX C - STATEMENT OF INTERNAL CONTROL & CORPORATE GOVERNANCE ACTION PLAN**

Area for Improvement	Action(s) Required	Timescale	By whom?	Current Status	Traffic light
<p>Reviewing progress, outcomes and performance against objectives</p>	<p>Provide greater clarification of the Council's performance framework arrangements and senior officer roles in this</p> <p>Develop a more consistent and corporate approach to capturing and reviewing performance information</p> <p>Develop further the Cabinet and Overview &amp; Scrutiny roles in the monitoring and review of performance</p>	<p>March 2006</p> <p>March 2006</p> <p>March 2006</p>	<p>MT &amp; All Service Heads</p> <p>Cabinet &amp; Performance Review Committee</p> <p>Cabinet &amp; Overview &amp; Scrutiny Committee</p>	<p>Some improvements in this area particularly relating to the development of key performance indicators for strategic monitoring and the ongoing development of the performance information system (Escendancy) currently being piloted. Actions from an Audit Commission review of Performance Management to be integrated into the revised 2005/06 Corporate Improvement Plan</p>	<p>Amber</p> 
<p>Statement on Internal Control and Corporate Governance (SIC&amp;SG)</p>	<p>Establish a management group with overall responsibility for ensuring that robust and consistent arrangements are in place for identifying and evaluating sources of assurance and supporting evidence and for drafting the Statement by the due date</p>	<p>October 2005</p>	<p>SIC&amp;CG Management Group &amp; Audit Committee</p>	<p>A management group has been established to oversee developments of an Internal Control &amp; Corporate Governance Database and to prepare the SIC&amp;CG. SIC&amp;CG approved by Audit Committee and published</p>	<p>Green</p> 

**KEY:** **CE:** Chief Executive; **CD(Cen):** Corporate Director (Central Services); **CD(Com):** Corporate Director (Community Services); **MT:** Management Team; **HCS:** Head of Corporate Strategy; **HFS:** Head of Financial Services; **HHR:** Head of Human Resources




**APPENDIX C - STATEMENT OF INTERNAL CONTROL & CORPORATE GOVERNANCE ACTION PLAN**

Area for Improvement	Action(s) Required	Timescale	By whom?	Current Status	Traffic light
Fraud Prevention and Detection	Review the Council's Whistleblowing and Counter Fraud and Corruption Policies and Codes of Conduct	December 2005	CD(Cen) & HFS	The Council's probity and standard of conduct arrangements are well established. The Benefits Anti-Fraud Policy and Sanctions Policy were updated in July 2005. Non-Benefit policies and the Whistleblowing Policy have not been reviewed for a number of years.	Amber 
Business continuity and emergency planning (Civil Resilience)	Review the Council's Civil Resilience arrangements in light of the Civil Contingencies Act becoming law and implement action plans to ensure compliance	November 2005	CE & CD (Com)	A self-assessment of the Council's Civil Resilience arrangements conducted during 2004/05 identified a number of areas in need of improvement, particularly around business and service continuity management. Plans are at an early stage to formalise the ways in which the Council will address the implications of the Act which becomes law in November 2005.	Amber 

**KEY:** **CE:** Chief Executive; **CD(Cen):** Corporate Director (Central Services); **CD(Com):** Corporate Director (Community Services); **MT:** Management Team; **HCS:** Head of Corporate Strategy; **HFS:** Head of Financial Services; **HHR:** Head of Human Resources

**APPENDIX C - STATEMENT OF INTERNAL CONTROL & CORPORATE GOVERNANCE ACTION PLAN**

Area for Improvement	Action(s) Required	Timescale	By whom?	Current Status	Traffic light
Best Value Procurement arrangements	Review corporate procurement practices in line with requirements of the National Procurement Strategy for Local Government	Completed	CD(Cen), HFS & Procurement Strategy Group	An officer Procurement Group and Procurement champions have been established and progress is monitored by the Performance Review Committee	Green 
	Review and revise corporate Procurement Strategy	Completed	CD(Cen), HFS & Procurement Strategy Group	Major revision of the corporate Procurement Strategy completed and new Strategy adopted in July 2005. Work is ongoing to continuously improve the Council's procurement arrangements aimed at establishing a more holistic and corporate approach.	

**KEY:** **CE:** Chief Executive; **CD(Cen):** Corporate Director (Central Services); **CD(Com):** Corporate Director (Community Services); **MT:** Management Team; **HCS:** Head of Corporate Strategy; **HFS:** Head of Financial Services; **HHR:** Head of Human Resources

**Meeting of:** AUDIT COMMITTEE

**Date:** 19 OCTOBER 2005

**Report of:** HEAD OF FINANCIAL SERVICES

**Reference:** LA

**Title:** RISK MANAGEMENT PROGRESS AND PROPOSED WORK PLAN

#### **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

#### **PURPOSE OF THE REPORT**

To inform Audit Committee of the progress made to date with the risk management programme and to seek Members' endorsement of the amended work plan for the remainder of the current year.

#### **RECOMMENDATIONS**

- 1 That the progress made to date with the risk management programme be noted.**
- 2 That the amended work plan be approved.**

#### **REPORT**

##### **1 INTRODUCTION**

- 1.1 Through the adoption of a Code of Corporate Governance, the Council has committed to ensuring that risk management plays an integral part in the sound governance of the Council.
- 1.2 The intention of a risk management policy is to promote the achievement of the Council's aims through the implementation of its risk management strategy. Audit Committee approved a revised risk management policy and strategy on 27 July 2005. This report informs the Committee of the progress made since the last meeting with implementation of the strategy.
- 1.3 Good progress has been made with the work plan that was also approved by Audit Committee on 27 July 2005. This work plan was devised having taken account of the progress made to date with the risk management programme, and having considered emerging "Key Lines of Enquiry" (KLOEs) set out by the Audit Commission in respect of Councils' Use of Resources.

- 1.4 Delivery of this work plan will enable the Council to make significant headway with its risk management arrangements and improvements in terms of its internal control environment. This should help demonstrate their effectiveness in future years' Statements on Internal Control. The Plan sets out a challenging programme for the next six months which, when completed, should position the Council at, or within reach of, the highest level in the Use of Resources assessments.

TASK	TARGET DATE
Produce quarterly reports to Audit Committee.	From 27 July 05
Review and update risk management policy and strategy.	27 July 05
Produce strategic risk register linked to 2005/2006 Corporate Plan (to feed into 2006/07 budget & planning).	1 November 05
Improve risk considerations on Committee reports. (In conjunction with Administration Service's report writing training)	1 November 05
Ensure that project initiation documents include an adequate risk assessment.	1 November 05
Ensure that partnership risks are specifically identified and that assurances are obtained regarding the management of those risks.	1 November 05
Develop a robust assessment of the Council's risk management processes in support of the annual Statement of Internal Control and Corporate Governance as required by the Account and Audit Regulations 2003	31 March 06
Complete operational risk registers for each service.	31 March 06
Risk awareness training for all Service Heads and managers.	31 March 06
Further risk awareness training for Members (to be undertaken as part of the 2006/07 budget & planning process.)	31 March 06

- 1.5 Completion of the Strategic Risk Register has been the priority task since the last meeting of the Committee and this is now largely complete. The Risk & Insurance Manager and the Internal Audit Manager are preparing a presentation to the meeting to explain the approach in more detail.

#### **FINANCIAL IMPLICATIONS**

None arising from the report.

#### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to add

**DEPUTY SECTION 151 OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

Risk Management Policy and Strategy

Audit Committee Terms of Reference (The Constitution)

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**Meeting of:** AUDIT COMMITTEE

**Date:** 19 OCTOBER 2005

**Report of:** INTERNAL AUDIT MANAGER

**Reference:** aud/audcomm/191005

**Title:** ANNUAL REPORT AND CONTROLS ASSURANCE STATEMENT 2004/05

## **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

To inform the Committee of the extent and outcome of Internal Audit work during the 2004/05 financial year and to present an annual Statement of Assurance regarding the Council's internal Control Framework.

## **RECOMMENDATIONS**

1. That the report be noted.
2. That the Controls Assurance Statement be considered in relation to the proposed Statement on Internal Control & Corporate Governance (presented elsewhere on this agenda).

## **REPORT**

### **1. Introduction**

The terms of reference of the Audit Committee include: *To receive the annual Internal Audit Report and Controls Assurance Statement* (the Constitution, part 3 section 8, TOR 11). Whilst the CIPFA Code of Practice for Internal Audit does not prescribe the production of an annual report and assurance statement, this is regarded as best practice within the profession. The report and assurance statement plays a significant role in relation to the Council's responsibility to undertake an annual review of the Internal Control framework and publish a Statement on Internal Control.

### **2. Organisation of Internal Audit**

Internal Audit is established as a section of Financial Services, reporting functionally to the Head of Financial Services. Professionally, it operates to standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and operates and reports in accordance with an approved Audit Charter.

### 3. Annual Audit Plan 2004/05

Internal Audit plans and assignments are developed on a strongly risk-based approach, seeking to identify and devote resources to the areas of greatest significance to the Council. The approved Internal Audit Plan for 2004/05 contained 36 audit assignments and 935 days of Internal Audit work. A summary of the final position for the year is set out in the following table, with a list of completed audit reports attached at Appendix A.

Area of activity	Original Plan		Actual	
	No of Assignments	Days	No of Assignments	Days
Advice & Support	n/a	120	n/a	109
Planning & Monitoring	n/a	40	n/a	40
Computer Audit	3	60	1	11
Investigations	n/a	100	3	162
General Contingency	n/a	45	n/a	0
Follow Up Reviews	n/a	50	n/a	47
Financial Systems	8	133	8	110
Management Arrangements	12	232	10	232
Non-Audit Duties	n/a	5	n/a	3
Operational Audits	13	150	9	113
Totals	36	935	31	827

#### Explanation of Major Variances

Changes in demand for audit work and variations to the approved Plan were reported to and approved by Audit Committee during the year. The two most significant factors causing changes to the original plan were:

- Maternity leave of one member of staff, reducing the number of days available by 100.
- Resources devoted to two major internal investigations, taking 62 days more than budgeted for.

As a result of these factors, the following audits were not undertaken:

- Rent Setting, Collection & Control
- Job Management Systems
- Partnership Arrangements
- Emergency & Business Continuity Planning
- Licensing

#### Results of Audit Work

In all cases, completed audit assignments have resulted in the production of a report and action plan, agreed by managers and submitted for consideration by the Audit Committee. There are ongoing arrangements for all reports to be revisited and a further follow-up report to be produced regarding progress made in implementing agreed actions.

### 4. Controls Assurance Statement

It must be recognised that Internal Audit cannot be expected to give total assurance that control weaknesses or irregularities do not exist.

This assurance statement is drawn from a) the results of individual internal audit assignments and b) the review of the Internal Control Framework.



**Results of Internal Audit Assignments**

Our work on the Council's financial systems has indicated that effective internal financial controls exist to ensure the accuracy and integrity of the information they provide and no significant control weaknesses have been identified.

In other areas, Internal Audit work undertaken during the year did not identify any control weaknesses of such significance that they would warrant disclosure in the Council's Statement on Internal Control & Corporate Governance. Where control weaknesses have been identified, remedial action has been agreed and arrangements are in place to monitor the implementation of those actions.

**Review of the Internal Control Framework**

To assist with the Council's responsibility to review the effectiveness of its Internal Control Framework, Internal Audit has established an "Internal Control & Corporate Governance" database, comprising a framework of controls based on the guidance issued by CIPFA. The finally agreed framework consists of a set of sixty-seven internal control features within the following eight headings:

1. Statutory Obligations
2. Corporate Objectives
3. Corporate Governance
4. Performance Management
5. Risk Management
6. Internal Control
7. Assurance
8. Statement on Internal Control

Internal Audit has undertaken its own evaluation of this control framework, based on work during the period and on its accumulated knowledge of the organisation. The results of this exercise are demonstrated in Overview Chart and Evaluation Reports attached at Appendices B and C. The evaluation has also been used to identify any internal control issues and a range of actions to address them, which will be developed and reported to a future meeting of the Committee.

Overall, it is Internal Audit's opinion that the Council has established a generally sound Internal Control Framework. It is acknowledged, however, that there are areas in which improvements are both possible and necessary to strengthen the framework and to provide greater assurance as to its effectiveness.

**Significant Issues Arising**

In the majority of instances, the issues identified and recommendations made are at a relatively low and detailed level, in themselves not significant enough to warrant mention in an annual Statement on Internal Control.

The Internal Audit evaluation of Internal Control does, however, highlight areas in which the Council, during the 2004/05 financial year, did display weaknesses and a need to improve controls. These areas are illustrated and highlighted by the "gaps" in the Overview Chart and Evaluation Reports at Appendix B. It is fair to say that attention has already been given to these issues and a lot of progress has been made since the Internal Audit review was undertaken. This is reflected in the report on the draft Statement on Internal Control & Corporate Governance, elsewhere on the agenda.

Main messages arising during the 2004/05 financial year were:

Area	Key Messages
Statutory Obligations	<ul style="list-style-type: none"> <li>• Good arrangements in place for establishing statutory obligations</li> <li>• Explore ways of ensuring that legal responsibilities are effectively communicated and understood throughout the Council</li> </ul>
Corporate Objectives	<ul style="list-style-type: none"> <li>• Continue to develop corporate policy and financial planning arrangements.</li> </ul>
Corporate Governance	<ul style="list-style-type: none"> <li>• Consider arrangements for reviewing and monitoring the Council's Code of Corporate Governance</li> <li>• Continue to raise awareness of Corporate Governance issues and expectations</li> </ul>
Performance Management	<ul style="list-style-type: none"> <li>• Need to develop and implement clear corporate performance management arrangements</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>• Need to continue with the implementation of risk management procedures and principles.</li> </ul>
Internal Control	<ul style="list-style-type: none"> <li>• Generally good arrangements in place;</li> <li>• Need to develop service/business continuity plans.</li> </ul>
Assurance	<ul style="list-style-type: none"> <li>• Continue to develop and refine arrangements for identifying, coordinating and reviewing potential sources of assurance.</li> </ul>
Statement on Internal Control	<ul style="list-style-type: none"> <li>• Formalise arrangements for producing future years' Statements</li> </ul>

### **Future Developments**

Internal Audit's review of the Internal Control Framework for 2004/05 has focussed on identifying the existence of relevant arrangements and controls. Future reviews will seek to provide more in-depth evaluation of the effectiveness of those arrangements.

### **FINANCIAL IMPLICATIONS**

None arising from this report

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments to add

### **SECTION 151 OFFICER'S COMMENTS**

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

### **BACKGROUND PAPERS**

Internal Audit Plan 2004/05

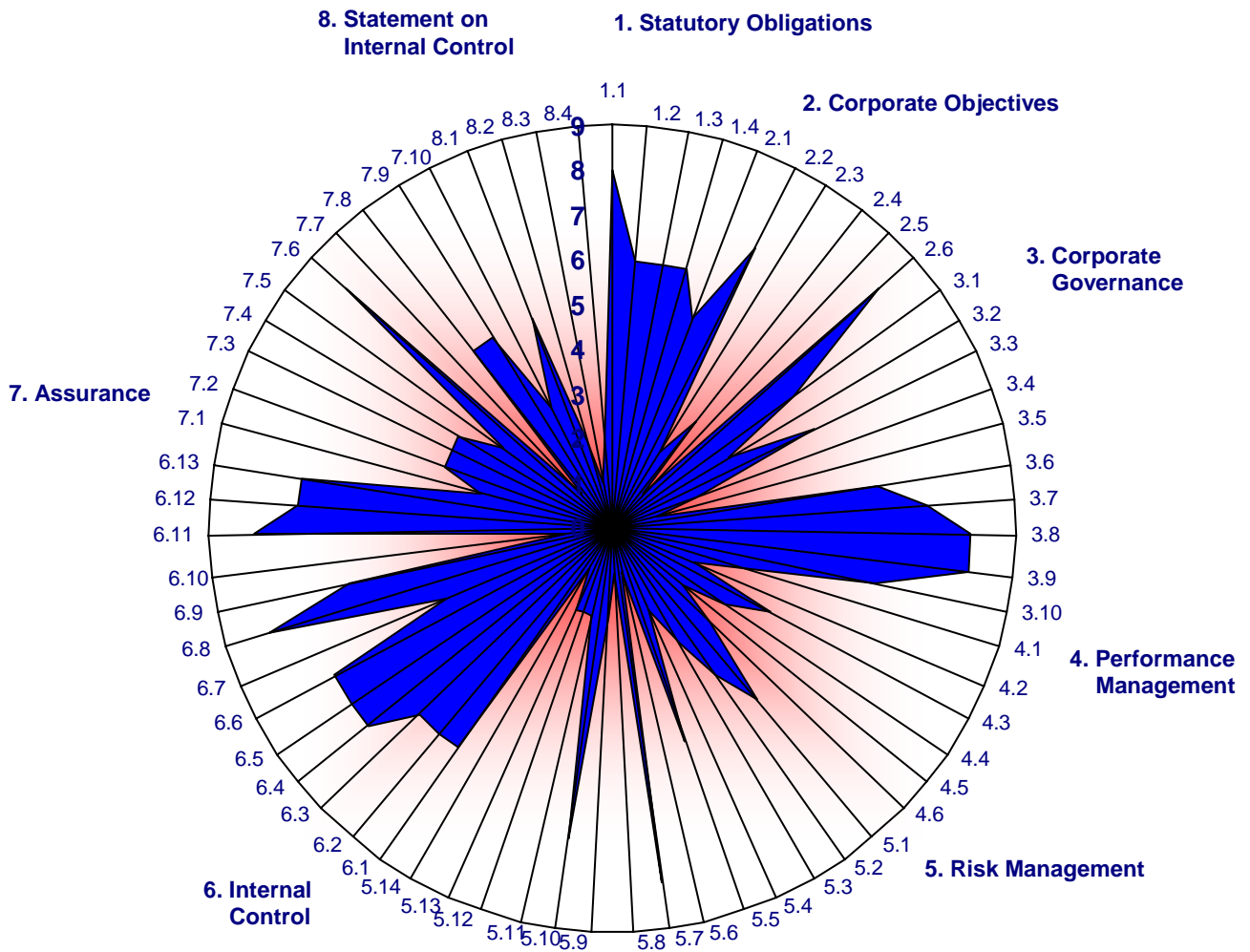
## Appendix A

## Internal Audit Plan 2004/05 – Reports Issued

Audit No	Title	Report Date	Reported to Audit Committee
<b>Financial Systems Audits</b>			
565	Housing & Council Tax Benefits	08/11/04	26/01/05
588	Payroll	Ongoing	
557	Purchasing	16/06/04	29/07/04
584	Financial Management	Ongoing	
568	Internet & Telephone Payments	27/06/05	27/07/05
<b>Computer Audits</b>			
560	Software Licensing	29/09/04	26/01/05
<b>Management Arrangements</b>			
523	Public Relations & Communications	16/06/04	28/07/04
571	Best Value	01/09/05	Tba
582	Corporate Governance & SIC	Framework development	19/10/05
587	Electronic Government	17/08/05	Tba
575	Project Management	Ongoing	
<b>Operational Audits</b>			
585	DDA & Race Equality in Recruitment	Ongoing	
540	Supported Housing Services	13/01/05	26/01/05
552	Leisure Management	16/07/04	28/07/04
567	Planning	13/04/05	27/07/05
538	Contaminated Land	16/07/04	28/07/04
583	Museums Partnership	Ongoing	
510	Economic Development, Marketing & Promotion	10/11/04	26/01/05
514	Grants Management	17/01/05	27/07/05
511	Markets	09/09/04	26/01/05
589	Management of Commercial Properties	Ongoing	
537	City Centre Development & Management	15/07/04	20/07/04
531	Members & Civic Expenses	01/02/05	27/07/05
<b>Proactive Audit Work</b>			
547	Risk Management	Strategy development	
546	Procurement Strategy	Strategy development	
562	Performance Management	Support	
478	Partnership Arrangements	Evaluation Guidance, etc	
574	Fraud & Corruption	Development of Risk Registers	

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## Internal Control & Corporate Governance Framework Overview 2004/05 (Internal Audit Evaluation)



The chart maps the scores produced by Internal Audit for each of the 67 internal control features in the framework (which are numbered around the edge). The blue areas represent the extent to which the Council's arrangements are judged to provide effective control (i.e. the larger the blue area, the better).

Where larger areas of white, and particularly red, are displayed, the greater the scope and need to improve arrangements.

## Internal Audit Evaluation

		IA Score	1 2 3 4 5 6 7 8 9
<b>1</b>	<b>Statutory Obligations</b>		
1.1	Responsibilities for statutory obligations are formally established	8	
1.2	Statutory obligations are communicated to and understood by all relevant people in the organisation	6	
1.3	Effective procedures exist to identify, evaluate, communicate, implement, comply with, and monitor legislative change	6	
1.4	Effective action is taken where areas of non-compliance are found either in mechanism or legislation	6	
<b>2</b>	<b>Corporate Objectives</b>		
2.1	Consultation with stakeholders on priorities and objectives	5	
2.2	The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation)	7	
2.3	Priorities and objectives are aligned to principal statutory obligations and relate to available funding	2	
2.4	Resources are allocated according to corporate priorities	3	
2.5	Objectives are reflected in departmental plans and are clearly matched with associated budgets	1	
2.6	The authority's objectives are clearly communicated to staff and to all stakeholders	8	
<b>3</b>	<b>Corporate Governance</b>		
3.1	Code of corporate governance established	5	
3.2	Review and monitoring arrangements in place	3	
3.3	Committee charged with governance responsibilities	5	
3.4	Governance training provided to key officers and all members	2	
3.5	Staff, public and other stakeholder awareness of corporate governance	1	
3.6	Encourage community/stakeholder engagement and establish clear channels of communication.	6	
3.7	The authority maintains an objective and professional relationship with its external auditors and statutory inspectors and puts in place arrangements for the effective implementaton of agreed actions.	7	
3.8	Clear, documented and understood management processes for policy development, implementation and review and for decision making, monitoring and control, and reporting.	8	
3.9	Services are delivered by trained and experienced people.	8	
3.10	Appropriate procedures to ensure the openness, integrity and accountability of officers and members.	6	

## Internal Audit Evaluation

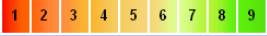




<b>4 Performance Management</b>		<b>IA Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
4.1	Standards and targets for performance in the delivery of services are set on a sustainable basis and with reference to equality policies.	3	
4.2	Comprehensive and effective performance management systems operate routinely	2	
4.3	Key performance indicators are established and monitored	4	
4.4	The authority knows how well it is performing against its planned outcomes	3	
4.5	Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes	2	
4.6	The authority continuously improves its performance management	3	
<b>5 Risk Management</b>		<b>IA Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
5.1	There is a written strategy and policy for managing risk	5	
5.2	The authority has implemented clear structures and processes for risk management which are successfully implemented	4	
5.3	The authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff	3	
5.4	The authority has well defined procedures for recording and reporting risk	2	
5.5	The corporate/departmental risk register(s) includes expected key controls to manage principal risks	5	
5.6	Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed	1	
5.7	The authority has well-established and clear arrangements for financing risk	8	
5.8	The authority has developed a programme of risk management training for relevant staff	1	
5.9	The corporate risk management board (or equivalent) adds value to the risk management process	2	
5.10	A corporate risk officer has been appointed with the necessary skills to analyse issues, offer options and advice and support decision making and policy formulation.	7	
5.11	Managers are accountable for managing their risks	2	
5.12	Risk management is embedded throughout the authority	2	
5.13	Risks in partnership working are fully considered	2	
5.14	Where employed, risk management information systems meet users' needs	1	

**Internal Audit Evaluation**

<b>6 Internal Control</b>		<b>IA Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
6.1	Financial management arrangements ensure public funds are properly safeguarded and are used economically, efficiently and effectively.	6	
6.2	Written financial regulations are in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff	6	
6.3	There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff	6	
6.4	There is a whistleblowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	7	
6.5	There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	7	
6.6	There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff	7	
6.7	A register of interests is maintained, regularly updated and reviewed	4	
6.8	Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff	8	
6.9	A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff	6	
6.10	Business/service continuity plans have been drawn up for all critical service areas	1	
6.11	The authority's internal control framework is subject to regular independent assessment	8	
6.12	A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff	7	
6.13	A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders and is regularly reviewed	7	
<b>7 Assurance</b>		<b>IA Score</b>	<b>1 2 3 4 5 6 7 8 9</b>
7.1	The authority has determined appropriate internal and external sources of assurance	3	
7.2	Appropriate key controls on which assurance is to be given have been identified and agreed	4	
7.3	Mechanism established for collecting SIC assurances	4	
7.4	Department heads provide assurance statements that key controls are in place and have been in operation for the period concerned.	4	
7.5	External assurance reports are collated centrally	3	
7.6	Internal Audit reports regularly to the Audit Committee and the Head of Internal Audit provides an annual report , including an opinion on the internal control framework.	8	
7.7	Responsibilities for the evaluation of assurances are clearly defined throughout the organisation	1	
7.8	A 'SMART' (Specific, Measurable, Achievable, Realistic and Time-bound) action plan is drawn up and approved	5	
7.9	Actions are communicated and responsibilities for implementation within agreed timescales are assigned	5	
7.10	Ongoing review of progress and of continuing appropriateness of action	3	



## Internal Audit Evaluation

8	Statement on Internal Control	IA Score	
8.1	Annual reporting of the Authority's activities and achievements, financial position and performance.	5	
8.2	Responsibilities for the compilation, signing and reporting of the Statement on Internal Control in accordance with statutory requirements have been assigned	2	
8.3	There is a timetable for the production and publication of the Statement on Internal Control that meets the statutory deadline	1	
8.4	The Statement on Internal Control is reviewed, challenged and approved by the authority	2	

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## Internal Audit Evaluation and Opinion

### 1 Statutory Obligations

#### 1.1 Responsibilities for statutory obligations are formally established

**Score** IA Opinion

- 8 Statutory responsibilities are formally established in corporate documents and policies, particularly the Constitution. Pulling all information together (e.g. in a database) would enhance control (c.f. Ref. 1.2).

#### 1.2 Statutory obligations are communicated to and understood by all relevant people in the organisation

**Score** IA Opinion

- 6 Statutory obligations are established and documented (c.f. Ref. 1.1) and the Authority's Legal Services maintain a legal library. Each Service has a dedicated page on the Intranet site setting out service responsibilities and providing links to further pages and documents relating to those responsibilities. However it is felt that the site could be developed to facilitate the retrieval of information through:
- ensuring statutory responsibilities are included, in general terms, within the 'homepage' for each Service;
  - allocating responsibilities for the overall structure of the Intranet to ensure clarity (e.g. what constitutes a corporate document as opposed to a service document) and regular review; and
  - the introduction of a Corporate standard for documents to include a document date, author or responsible officer, approving body if applicable (e.g. Council) and proposed review date.
- It is also felt that there is scope to utilise Corporate Induction training to communicate statutory obligations in general terms. Current training (Jan. 2005) gives an introduction to;
- the Council and the relationship between Members and officers;
  - Corporate priorities; and
  - the work of three Services, namely, Communications, Corporate Strategy and HR&OD.
- A more general look at the work of all Services, linking them to the overall structure of the Authority could enhance control.

#### 1.3 Effective procedures exist to identify, evaluate, communicate, implement, comply with, and monitor legislative change

**Score** IA Opinion

- 6 Service Heads are responsible for identifying and implementing legislative change per their generic job descriptions and reports would be channelled through the decision-making process as appropriate. Control therefore reliant upon individual Service Heads. Problems may arise when new legislation is not readily identifiable as the responsibility of a particular service head (e.g. the Civil Contingencies Bill 2004).

#### 1.4 Effective action is taken where areas of non-compliance are found either in mechanism or legislation

**Score** IA Opinion

- 6 Internal and External Audit reports have not identified significant areas of non-compliance in the last year. Progress on implementing audit action plans is monitored, the percentage implemented varying between Services. A system for further follow-ups is to be developed by internal audit. The results of follow-ups are reported to the Audit Committee though it is felt that their role in ensuring implementation and compliance could be developed. The Council has an effective complaints procedure, the Ombudsman Annual Letter and Report 2003/04 stating with regards to ombudsman complaints 'the Council's complaints procedure is well publicised and accessible for those that need it'.

### 2 Corporate Objectives

#### 2.1 Consultation with stakeholders on priorities and objectives

**Score** IA Opinion

- 5 The need to consult is felt to be well established and improvements continue to be made (e.g. the Leader of the Council outlining budget and policy framework proposals to the LSP's Executive and Economic Stakeholders' Forum on 02/02/05, improved website, formation of Young People and LCC Task Group etc.). Levels of consultation and success/effectiveness vary from Service to Service or project to project etc. An effective corporate, co-ordinated approach to consultation has yet to be implemented though work is ongoing to implement the Consultation Strategy in 2005/06.

## Internal Audit Evaluation and Opinion

### 2 Corporate Objectives

#### 2.2 The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation)

Score **IA Opinion**

- 7 Organisational aims and objectives are set out in the Corporate Plan agreed by Council. The Plan is based on the Community Strategy which was subjected to rigorous consultation. The Corporate Plan is felt to take account of local and national priorities and consultation, though consultation mechanisms require further development (c.f. 2.1).

#### 2.3 Priorities and objectives are aligned to principal statutory obligations and relate to available funding

Score **IA Opinion**

- 2 Corporate priorities and objectives are set out in the Corporate Plan but do not take account of principal statutory obligations (e.g. the need to implement the Planning and Compulsory Purchase Act 2004). Control therefore reliant on service business plans. Business plans this year have not been formally approved and are not readily available (e.g. through the Intranet). Attempts have been made to link priorities to available funding within the Corporate Plan and a 'Resource/Budget Implications' column in business plans but mechanisms are insufficiently developed to meet the control. The Budget process is effectively linked to the MTFs through a spreadsheet maintained by the Accountancy Services Manager who monitors the impact of decisions on the Council Tax figure.

#### 2.4 Resources are allocated according to corporate priorities

Score **IA Opinion**

- 3 To some extent resources are allocated according to priorities, all bids for funding to be linked to a corporate priority and Star Chamber aiming to allocate resources to priorities by challenging service budgets. Service Heads are also required to identify the resources required against each objective within their business plan. Ultimately the control is reliant on effective mechanisms to link activities to spend which is not in place.

#### 2.5 Objectives are reflected in departmental plans and are clearly matched with associated budgets

Score **IA Opinion**

- 1 Service Business Plans are required to link service objectives to corporate objectives as set out in the Corporate Plan. However mechanisms to ensure Corporate priorities are adequately reflected in service plans are considered not sufficiently developed and clear terms of reference for the preparation of service business plans are not readily available. Mechanisms to match objectives to funding require further development (c.f. Refs. 2.3 and 2.4)

#### 2.6 The authority's objectives are clearly communicated to staff and to all stakeholders

Score **IA Opinion**

- 8 The Communications Action Plan 2004/05 clearly states the mechanisms for communicating authority objectives to staff (e.g Corporate Induction, Intranet etc.) and stakeholders (Quarterly Residents' Magazine, Council Tax leaflet etc.) and the Corporate Plan is available on both the Intranet and Internet. The EDPA Scheme aims, amongst other things, to 'improve job performance by linking the performance of the individual with the Service business plan ' and all related interviews should be documented. There is no evidence readily available of consultation with stakeholders (e.g. public and internal surveys) on service provision against cost.

### 3 Corporate Governance

#### 3.1 Code of corporate governance established

Score **IA Opinion**

- 5 A Code of Corporate Governance was adopted by the Council in July 2002 but the Code is not well publicised and a communications strategy in relation to the Code has not been developed.

#### 3.2 Review and monitoring arrangements in place

Score **IA Opinion**

- 3 The Code does not include a review date and arrangements for continually monitoring compliance are not in place though an annual report on compliance, forming part of the SIC, is presented to the Audit Committee.

#### 3.3 Committee charged with governance responsibilities

Score **IA Opinion**

- 5 The Audit Committee's Terms of Reference include 'monitoring the effectiveness of the Code of Corporate Governance' though the Terms are not comprehensive in ensuring all aspects of the Code are covered. The 2003/04 Statement on Internal Control and Corporate Governance was 'noted' by the Audit Committee on 28/07/05 suggesting more needs to be done to develop the Committee's monitoring role.

## Internal Audit Evaluation and Opinion

### 3 Corporate Governance

#### 3.4 Governance training provided to key officers and all members

**Score** IA Opinion

- 2 There is insufficient information readily available on the content of training to fully evaluate the control though governance issues are not prominently publicised and the Code is not readily available. Whilst the Internal Audit Review of Corporate Governance (02/0490) found compliance with the CIPFA/SOLACE guidance high, resulting agreed actions relating to training have not been implemented.

#### 3.5 Staff, public and other stakeholder awareness of corporate governance

**Score** IA Opinion

- 1 There is no general staff awareness training programme in respect of corporate governance and the Code is not readily accessible to staff and the public through the Intranet/Internet.

#### 3.6 Encourage community/stakeholder engagement and establish clear channels of communication.

**Score** IA Opinion

- 6 Community/stakeholder engagement is improving and in some areas is focused, publicised and accessible. The need to engage stakeholders is considered fairly well established though resources are often sighted as a barrier to effective engagement. It is felt that a corporate, co-ordinated approach would enhance control and there is a need to ensure engagement mechanisms are inclusive.

#### 3.7 The authority maintains an objective and professional relationship with its external auditors and statutory inspectors and puts in place arrangements for the effective implementation of agreed actions.

**Score** IA Opinion

- 7 Control considered in place in that no evidence to the contrary presents. Internal Audit are in the process of developing a mechanism to monitor the implementation of External Audit agreed actions, progress to be reported to the Audit Committee. Pulling together the action plans from all statutory inspections to aid the monitoring of implementation would enhance control.

#### 3.8 Clear, documented and understood management processes for policy development, implementation and review and for decision making, monitoring and control, and reporting.

**Score** IA Opinion

- 8 Processes for policy development and decision-making are set out in the Council's Constitution. Reporting mechanisms are considered effective, Management Team reviewing all reports prior to them being presented to Members and Statutory Officer comments included. Documenting the source of authority to make officer delegated decisions on the decision notice (e.g. original minute number) would enhance control (c.f. Audit Review of Financial Management 04/0584).

#### 3.9 Services are delivered by trained and experienced people.

**Score** IA Opinion

- 8 There are various mechanisms in place (e.g. recruitment and selection procedures, EDPAs) to ensure that services are delivered by trained and experienced people. Probationary periods and the Council's Capability Policy provide mechanisms to deal with employees not delivering per expectations. The recent setting of personal objectives through the EDPA scheme should further enhance control.

#### 3.10 Appropriate procedures to ensure the openness, integrity and accountability of officers and members.

**Score** IA Opinion

- 6 Procedures for ensuring the openness, integrity and accountability of officers and members are considered appropriate. Regular compliance monitoring in respect of some, particularly Financial Regulations and Procedures and Contract Procedure Rules, would enhance control.

## Internal Audit Evaluation and Opinion

### 4 Performance Management

#### 4.1 Standards and targets for performance in the delivery of services are set on a sustainable basis and with reference to equality policies.

Score **IA Opinion**

- 3 Standards and targets for performance are set out in a number of documents (e.g. MTFS, Corporate Plan, Business Plans, BVPP) but there is no mechanism to capture all performance information with a view to providing an accurate picture of how the Authority is performing overall. An Internal Audit Review of Best Value (04/0571) found different approaches to target setting, some resulting in unrealistic targets for improvement and not all demonstrating a consideration of sustainability. The review also found insufficient performance standards and targets to effectively monitor service delivery.

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#### 4.2 Comprehensive and effective performance management systems operate routinely

Score **IA Opinion**

- 2 There is no clearly defined Performance Management Framework identifying:
- all sources of performance measures;
  - responsibilities, quality assurance mechanisms;
  - monitoring mechanisms;
  - actions to be taken in the event of underperformance;
- and demonstrating how performance is driven upwards over time. An annual performance plan is produced providing a year-on-year comparison against targets but there is little evidence of this being used to effectively drive improvement. Some services do use performance information and benchmarking effectively but generally this is not the case.

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#### 4.3 Key performance indicators are established and monitored

Score **IA Opinion**

- 4 KPIs have been established for the priorities set out in the Corporate Plan and performance is being monitored through the Performance Review Committee. There is a recognised need to improve information to Members, particularly the Budget and Performance Panel responsible for monitoring service performance. Better information should aid the establishment of effective lower level KPIs (c.f. Audit Review of Best Value (04/0571)).

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#### 4.4 The authority knows how well it is performing against its planned outcomes

Score **IA Opinion**

- 3 There is no established Performance Management Framework to enable the Authority to know how well it is performing overall against planned outcomes. Performance is measured and reported on different levels through:
- high level outcomes set out in the Corporate Plan being monitored by the Performance Review Committee;
  - the Best Value Performance Plan providing a year-on-year comparison of performance against targets;
  - statutory inspections (e.g. CPA);
  - corporate financial monitoring; and
  - services monitoring performance against their own plans.
- More needs to be done to collate and monitor performance information with a view to continuous improvement.

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#### 4.5 Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes

Score **IA Opinion**

- 2 Whilst monitoring is taking place information is generally retrospective and failing to provide a effective basis on which to make a decision for improvement. This is further hampered by the lack of linking resources to performance (i.e. would the cost of a decision for improvement be worth it in terms of the improvement achieved). There is a need to ensure that performance measures are appropriate to drive improvement, are cost-effective and worthwhile in demonstrating achievements.

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#### 4.6 The authority continuously improves its performance management

Score **IA Opinion**

- 3 There have been improvements in performance management over the last year with the setting and monitoring of KPIs for corporate objectives, the recognised need to improve information to the Budget and Performance Panel and the ongoing development and piloting of the Escendency system. A report is to be presented to the Budget and Performance Panel (05/07/05) outlining performance targets not met in some services (not all responded to a memo for the information) with a view to the Panel inviting some for further questioning with regards underperforming targets. Overall improvement is too slow and the Performance Management Framework lacks clarity, leadership and impetus.

## Internal Audit Evaluation and Opinion

### 5 Risk Management

#### 5.1 There is a written strategy and policy for managing risk

Score **IA Opinion**

- 5 There a written Policy and Strategy formally approved by the Audit Committee in December 2003. The documents have not been reviewed since and progress on their implementation is limited, risk management not yet effectively embedded within the Authority.

#### 5.2 The authority has implemented clear structures and processes for risk management which are successfully implemented

Score **IA Opinion**

- 4 Structures are in place in that responsibilities are clearly defined within the Risk Management Strategy, a Risk and Insurance Manager is in place, as are Risk Champions and a Risk Management Steering Group. Internal Audit adopt a risk based approach to all audit assignments, clearly demonstrated in their reporting process. Risks are considered in the corporate decision-making process through the completion of an 'Options and Options Analysis (including risk assessment)' section in reports. However testing in the recent Internal Audit Review of Financial Management (04/0584 - Ref. 008726) found the reports generally did not demonstrate a robust risk assessment process, often risks were not effectively linked to financial implications and the format did not always enable an easy comparison of risks across the options presented. Further the Quick Guide to Report Writing did not promote robust risk assessments. A risk register database is being developed by Internal Audit and the Risk and Insurance Manager, risks within generally arising from Internal Audit Work. There is now a recognised need for the register to be presented to service managers with a view to them taking ownership and embedding risk management.

#### 5.3 The authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff

Score **IA Opinion**

- 3 (c.f. 5.2) - The risk register database and associated guidance will provide a systematic process for consistency in risk identification. There is a recognised need to raise risk awareness through dissemination of the register.

#### 5.4 The authority has well defined procedures for recording and reporting risk

Score **IA Opinion**

- 2 (c.f. 5.2). Key risk indicators have yet to be determined though risk based auditing helps by identifying significant risks for the areas under review, these being used to populate the risk register. Processes to update the register on an ongoing basis, to identify new and emerging risks and to report risk to Members have yet to be developed.

#### 5.5 The corporate/departmental risk register(s) includes expected key controls to manage principal risks

Score **IA Opinion**

- 5 The risk register being developed (c.f. 5.2) does enable the recording of expected key controls against risks identified. When 'rolling out' the register there is a need to ensure risk owners are assigned to manage principal risks and controls are monitored, reviewed and updated regularly.

#### 5.6 Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed

Score **IA Opinion**

- 1 Key risk indicators have not been drawn up but corporate implementation of the new risk register will provide a means of meeting the control (See also Ref. 5.5).

#### 5.7 The authority has well-established and clear arrangements for financing risk

Score **IA Opinion**

- 8 Control in place per the recent audit review of Financial Management (04/0584). A formally documented and regularly reviewed risk financing policy would enhance control.

#### 5.8 The authority has developed a programme of risk management training for relevant staff

Score **IA Opinion**

- 1 As yet there is no training programme for risk management. Newsletters and guidance are posted on the Intranet under Financial Services but these are not promoted.



## Internal Audit Evaluation and Opinion

### 5 Risk Management

#### 5.9 The corporate risk management board (or equivalent) adds value to the risk management process

Score IA Opinion

- 2 Terms of Reference are in place for the Risk Management Steering Group within the Risk Management Strategy. However there is little evidence of the Group actively embedding risk management throughout the Authority.

#### 5.10 A corporate risk officer has been appointed with the necessary skills to analyse issues, offer options and advice and support decision making and policy formulation.

Score IA Opinion

- 7 The Senior Insurance Officer was appointed to the post of Risk and Insurance Manager in September 2203. Her responsibilities are set out in the Risk Management Strategy and her job description. The officer has helped raise awareness of risk management, advises services on a day-to-day basis and has been instrumental in the development of the risk register. However the effectiveness of her position is hampered by the lack of corporate impetus for embedding risk management.

#### 5.11 Managers are accountable for managing their risks

Score IA Opinion

- 2 Managers are not yet accountable for managing their risks and service head generic job descriptions do not outline risk management responsibilities. There are no provisions for an annual review of risk at service/operational levels and control and risk self-assessment questionnaires are not routinely completed. The internal audit process promotes accountability for risk and levels of risk awareness and management vary from service to service. The risk management database provides for risk owners and there is a recognised need to 'roll out' the register to services to promote ownership and facilitate demonstration of effective risk management.

#### 5.12 Risk management is embedded throughout the authority

Score IA Opinion

- 2 Levels of risk awareness/management vary between services per internal audit work. There is no risk management training programme and no assessment to ascertain the need for training. Risks are considered in the business planning process in so far as stating whether there is a corporate risk to register but there is no process, as yet, to link to risk registers or test the robustness of the risk assessment.

#### 5.13 Risks in partnership working are fully considered

Score IA Opinion

- 2 Financial procedures require partnerships 'to ensure that risk management process are in place to identify and assess all known risks'. Risks are considered in the decision-making process (c.f. Ref. 5.2) but procedures are not considered robust. There are no procedures to formally review/report risks throughout the term of the partnership.

#### 5.14 Where employed, risk management information systems meet users' needs

Score IA Opinion

- 1 There is scope to ensure the risk register (c.f. Ref. 5.2) meets user needs when it is 'rolled out' to Services.

### 6 Internal Control

#### 6.1 Financial management arrangements ensure public funds are properly safeguarded and are used economically, efficiently and effectively.

Score IA Opinion

- 6 Compliance with Financial Regulations and Procedures ensures the control is in place though regular compliance monitoring would enhance control. It is felt that more could be done with regards benchmarking and challenging VFM. The new Terms of Reference for Star Chamber should help, the process to challenge services' financial management with a view to achieving efficiency savings as required by Gershon.

#### 6.2 Written financial regulations are in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff

Score IA Opinion

- 6 Formally approved financial regulations are in place and are available on the Intranet (c.f. Ref. 1.2 re. versions available). The Head of Financial Services feels that communication could improve and induction training for Responsible Spending Officers could be developed further (c.f. Audit Review of Financial Management (04/0584).



## Internal Audit Evaluation and Opinion

### 6 Internal Control

#### 6.3 There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff

Score IA Opinion

- 6 Control in place per the internal audit review of Financial Management (04/0584) though more could be done to improve communication and compliance monitoring would enhance control.

#### 6.4 There is a whistleblowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff

Score IA Opinion

- 7 There is a formally approved whistleblowing policy available on the Intranet. The National Code of Conduct for Members is being reviewed and consulted upon at present and this includes a review of whistleblowing. The National Code of Conduct for Officers has recently been reviewed and the Authority's Code of Conduct is being updated accordingly. A formal review programme and more regular promotion/communication with staff would enhance control.

#### 6.5 There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff

Score IA Opinion

- 7 Control in place through corporate and Benefits specific policies though corporate policies have not been reviewed for some time. A formal review programme and more regular promotion/communication with staff would enhance control. Registers of gifts and hospitality are maintained though regular reminders of the need to complete them are not sent out.

#### 6.6 There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff

Score IA Opinion

- 7 Formally approved Codes of Conduct are in place and again a formal review programme and more regular promotion/communication with staff would enhance control. See also Ref. 6.4

#### 6.7 A register of interests is maintained, regularly updated and reviewed

Score IA Opinion

- 4 Registers of Interest are maintained for both Members and staff, though they could be updated more regularly, the last reminder to staff being December 2003.

#### 6.8 Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff

Score IA Opinion

- 8 The scheme of delegation is included in the Constitution (c.f. 1.2 re. versions available on the Intranet) and is formally approved. Dissemination appears to be the responsibility of Service Heads, there having been no briefings, awareness sessions in the last few years. There are regular reports to members on the operation of the scheme (e.g. budget monitoring, officer delegated planning decisions etc).

#### 6.9 A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff

Score IA Opinion

- 6 A corporate procurement strategy, approved by Cabinet, is in place setting out the Council's policy for procurement. The Strategy is available on the Intranet and is communicated to relevant staff through the work of the Corporate Procurement Officer. Effectiveness is to be measured, the Authority due to undergo a fitness check in respect of procurement and KPIs, designed by the IDeA to measure procurement performance, are being considered. A higher score may be warranted following the fitness check and any benchmarking.

#### 6.10 Business/service continuity plans have been drawn up for all critical service areas

Score IA Opinion

- 1 Plans are in place for some areas (e.g. Central Control) per managers assurance statements though many recognise that this a weak area and more corporate guidance is required. There is a need to meet the requirements of the Civil Contingencies Bill 2004.

## Internal Audit Evaluation and Opinion

### 6 Internal Control

#### 6.11 The authority's internal control framework is subject to regular independent assessment

Score IA Opinion

- 8 Control in place through Internal Audit, External Audit, CPA, the and application of Department for Works and Pensions Housing Benefit Performance Standards and the Benefit Fraud Inspectorate. A more proactive Audit Committee could enhance control.

#### 6.12 A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff

Score IA Opinion

- 7 A Corporate Health and Safety Policy is in place (though appears not to have been reviewed for some time (2001)) and is supplemented by service specific policy statements. Corporate Briefings on Health and Safety were carried out in April 2004 and the Health and Safety section of the Intranet is regularly updated, new information being promoted through 'Message of the Day'. A system is in place to report incidents through the Intranet and incidence rates are monitored through the Corporate Health and Safety Committee. Minutes of the Committee (17/03/05) highlighted a need for a Service Head briefing to outline their responsibilities. Service Safety Audits are in the process of being carried out.

#### 6.13 A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders and is regularly reviewed

Score IA Opinion

- 7 A complaints procedure is in place and is available on the Internet together with contact details etc. The complaints procedure is effective per the Ombudsman Annual Letter and Report 2003/04 stating with regards to ombudsman complaints 'the Council's complaints procedure is well publicised and accessible for those that need it'. The issue of how the Council deals with complaints is being looked at as part of the Access to Services Review and a revised complaints leaflet is being developed. The Corporate Complaints Officer is currently located in Administration Services and has been part of the group looking at this issue whilst consideration is being given to the transfer of the responsibility for dealing with complaints to Customer Services.

### 7 Assurance

#### 7.1 The authority has determined appropriate internal and external sources of assurance

Score IA Opinion

- 3 The Authority has not formally determined appropriate internal and external sources of assurance. One aim of this database is to identify current sources of assurance with a view to highlighting any weaknesses where further assurance may need to be sought. Responsibility for considering assurances currently rests with the Audit Committee though the need to develop a more robust review mechanism is recognised.

#### 7.2 Appropriate key controls on which assurance is to be given have been identified and agreed

Score IA Opinion

- 4 A last minute effort to address the control has been made through the issue of a memo to all service heads requesting the return of a 'Corporate Responsibilities Statement'. Guidance was limited to information within the memo and the offer of assistance from internal audit. It is recognised that the process needs further development.

#### 7.3 Mechanism established for collecting SIC assurances

Score IA Opinion

- 4 A senior officer group has not yet been formed in relation to collecting and evaluating SIC assurances. This database aims to be a central record of all assurances with links to where the evidence is held, though its development has highlighted problems regarding the accessibility of relevant information through the Intranet/Internet. An evaluation mechanism and guidance has yet to be developed. The timetable to meet the statutory deadline for the SIC requires further developments as does the gap assessment and challenge mechanism.

#### 7.4 Department heads provide assurance statements that key controls are in place and have been in operation for the period concerned.

Score IA Opinion

- 4 Service Heads have been asked to complete 'Corporate Responsibilities Statements' (c.f. Ref. 7.2). More needs to be done to develop this process in future years particularly with regards guidance/training and evaluation mechanisms which should include 'reality checking'.

## Internal Audit Evaluation and Opinion

### 7 Assurance

#### 7.5 External assurance reports are collated centrally

Score IA Opinion

- 3 This database aims to provide a link to all external assurance reports though its development has found that not all are readily accessible.

#### 7.6 Internal Audit reports regularly to the Audit Committee and the Head of Internal Audit provides an annual report , including an opinion on the internal control framework.

Score IA Opinion

- 8 Control in place and may be enhanced further through developments in relation to the SIC.

#### 7.7 Responsibilities for the evaluation of assurances are clearly defined throughout the organisation

Score IA Opinion

- 1 Responsibilities currently rest with the Audit Committee. See also Refs. 7.1 and 7.2.

#### 7.8 A 'SMART' (Specific, Measurable, Achievable, Realistic and Time-bound) action plan is drawn up and approved

Score IA Opinion

- 5 Control in place through the Corporate Performance Plan approved by Council. It is felt more could be done to make the plan SMART particularly in terms of ensuring outcomes are measurable. It is also felt that more could be done to collate identified control weakness arising from internal and external inspections etc.

#### 7.9 Actions are communicated and responsibilities for implementation within agreed timescales are assigned

Score IA Opinion

- 5 The Corporate Performance Plan is high level and assigns responsibilities. It is assumed that those with responsibilities are aware of them as it is felt that the Plan could be more readily accessible and more effectively promoted. It is felt that some of the responsibilities (e.g. the action 'The corporate plan identifies specific tasks to take our ambitions forward. The High Level Objectives/ Tasks are allocated to service areas for delivery through business plans and to individuals through EDPA' with an outcome 'A systematic corporate, approach to the setting collection and monitoring of clear targets and outcomes through an integrated business planning process') are unrealistic without sufficient corporate backing/leadership and therefore responsibilities are not appropriately assigned. All actions include implementation dates.

#### 7.10 Ongoing review of progress and of continuing appropriateness of action

Score IA Opinion

- 3 A six monthly progress report is presented to the Performance Review Committee but the report (last report 22/03/05) does not offer the information in a way that enables effective challenge. Further, the actions in the progress report do not always match those set out in the original Plan (e.g. the progress report includes an action 'Develop a Pay and Workforce Strategy (including a Workforce Development Plan)' whilst the original Plan's action was 'Develop the Human Resource Management Strategy into a three-year People Plan') suggesting an interim review.

### 8 Statement on Internal Control

#### 8.1 Annual reporting of the Authority's activities and achievements, financial position and performance.

Score IA Opinion

- 5 Control in place but needs further development, particularly with regards performance management and preparation of the SIC, as set out in other parts of this database.

#### 8.2 Responsibilities for the compilation, signing and reporting of the Statement on Internal Control in accordance with statutory requirements have been assigned

Score IA Opinion

- 2 Responsibilities are not formally established though responsibilities for signature are clear.

## Internal Audit Evaluation and Opinion

### **8 Statement on Internal Control**

#### **8.3 There is a timetable for the production and publication of the Statement on Internal Control that meets the statutory deadline**

**Score** IA Opinion

- 1 It is recognised that a detailed timetable needs to be in place for future years (c.f. Ref.7.3)

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#### **8.4 The Statement on Internal Control is reviewed, challenged and approved by the authority**

**Score** IA Opinion

- 2 A report on the SIC is presented to the Audit Committee. It is recognised that review and challenge mechanisms require further development (c.f. Ref. 7.3)
-