



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 25 JANUARY 2006
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 19th October 2004 (previously circulated)
3. **Declarations of Interest**
4. **Items of urgent business authorised by the Chairman**
5. **Risk Management Progress and Proposed Work Plan** (Pages 1 - 4)
Report of the Head of Financial Services
6. **CIPFA Guidance On Audit Committees in Local Government** (Pages 5 - 18)
Report of Internal Audit Manager
7. **Results of Internal Audit Work** (Pages 19 - 86)
Report of Internal Audit Manager
8. **Internal Audit Monitoring** (Pages 87 - 94)
Report of 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 Gillian Noall, Head of Administration Services - telephone (01524) 582060 or email gnoall@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

MARK CULLINAN
CHIEF EXECUTIVE
TOWN HALL,
LANCASTER LA1 1 PJ

Published on 16th January 2006

Meeting of: AUDIT COMMITTEE

Date: 25 JANUARY 2006

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 forthcoming 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 on 19 October 2005.

2 PROGRESS

Use of resources self assessment

- 2.1 As part of its performance assessment of local authorities, the Audit Commission has introduced the Use of Resources assessment into its annual audit plan. The inclusion of this review, as part of the Audit Commission's annual work programme, may be a transitional arrangement pending its formal inclusion in the revised "Harder Test" CPA Assessment for District Councils that could be introduced in 2006.
- 2.2 Under the Use of Resources assessment, the Council's current financial management arrangements are assessed for their effectiveness and a

judgement included in the March 2006 annual management letter. The assessment includes five modules, namely :-

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

The Internal Control module includes a section on Risk Management.

- 2.3 For each of the five modules, there are Key Lines of Enquiry. These are a series of questions against which the council's existing arrangements are to be judged. As part of the process, councils are required to complete a self assessment for each module for consideration by the audit commission.
- 2.4 The Risk and Insurance Manager has been working closely with the Principal Auditor to complete this assessment and to gather evidence in support of the answers supplied.
- 2.5 The outcome of the Audit Commission's consideration of the self assessments, and their subsequent Use of Resources judgement, will not be known until later in the year.

Project Risk Register

- 2.6 A project risk register has been compiled to assess and mitigate the risks associated with the building of 4/5 Dalton Square and the partnership with Kier Northern. It is the intention that, eventually, risk registers will be created for every new project. For the time being, in order to assist the Regeneration Officer, who is acting as project manager for the 4/5 Dalton Square build, this one off risk register was completed.
- 2.7 An example of such a register was also a Key Line of Enquiry in the Use of Resources Assessment by the Audit Commission. As such, they now have details of this register.

Report writing guidance

- 2.8 The report writing guidance on the intranet has been updated to ensure that risks are properly considered on Committee reports. It is essential that processes are in place to assess risk during the decision making process. Only once the risks and opportunities (pros and cons) associated with each option are known, and have been assessed in detail, can a truly well informed decision be made.
- 2.9 Administration Services are delivering report writing training to relevant staff over the next year and this reviewed guidance on risk will be included within that training.

3 FUTURE WORKPLAN

- 3.1 Good progress has been made with the work plans approved by Audit Committee on 27 July 2005 and on 19 October 2005. This has meant there

has been significant headway made with the council's risk management arrangements and internal control environment. This should help demonstrate their effectiveness in future years' Statements on Internal Control. It should also have helped the Council achieve a decent level in the Use of Resources assessments.

- 3.2 A task that has recently been identified as being a priority, is the completion of a Business Continuity Plan for the Authority. The Civil Contingencies Act 2004 took effect statutory on 14 November 2005. This Act states that, amongst other things, all councils must have Business Continuity Plans and Emergency Plans implemented and published. The Council's existing Emergency Planning function currently falls within Administration Services, although it is the intention that responsibility for this will soon pass to Health & Strategic Housing.
- 3.3 The initial co-ordination of the Business Continuity Plans will be jointly undertaken by the Risk & Insurance Manager and the Principal Auditor. For this reason, therefore, the priority task on the work plan is now co-ordinating the preparation of service's individual Business Continuity Plans in order that they can eventually be merged and published into just one overall Corporate Business Continuity Plan.
- 3.4 Once the initial co-ordination of Business Continuity Plans has been completed, consideration needs to be given as to how the Council can fulfil its statutory obligations under the Civil Contingencies Act in the longer term, and the resource implications that it involves. This will be considered as part of the forthcoming budget process.
- 3.5 The work plan for the forthcoming year is thus as follows -

TASK	TARGET DATE
Initial co-ordination of the development of Service's Business Continuity plans.	15 February 06
Reassess risks associated with 2006/07 Corporate Plan, once final draft is completed and accepted (to feed into 2006/07 budget & planning).	31 March 06
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
Ensure that project initiation documents include an adequate risk assessment.	1 June 06
Ensure that partnership risks are specifically identified and that assurances are obtained regarding the management of those risks.	1 June 06
Complete operational risk registers for each service.	1 September 06

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)

Meeting of: AUDIT COMMITTEE

Date: 25 January 2006

Report of: INTERNAL AUDIT MANAGER

Reference: aud/audcomm/250106

Title: CIPFA GUIDANCE ON AUDIT COMMITTEES IN LOCAL GOVERNMENT

PUBLIC/EXEMPT ITEM

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

PURPOSE OF THE REPORT

To assess the Audit Committee's current arrangements against the CIPFA Guidance and in relation to the Audit Commission's criteria for evaluating the Council's "Use of Resources".

RECOMMENDATIONS

- 1. That the content of the CIPFA (Chartered Institute of Public Finance and Accountancy) Publication is noted.**
- 2. That officers undertake a review of the Committee's terms of reference , to be reported to the next meeting of the Audit Committee in April 2006, with a view to recommending changes to Council in May 2006 if required. Also that this review consider issues relating to the separate roles and responsibilities of the Audit Committee, the Standards Committee and Overview and Scrutiny.**
- 3. That Members consider whether, and in what circumstances they would wish to hold private meetings with the Internal Auditor or External Auditor.**
- 4. That consideration is given to the need for, and format of further Member training.**

REPORT

Introduction

CIPFA Publication – "Audit Committees; Practical Guidance For Local Authorities"

- 1. In November 2005, CIPFA published guidance for local authorities on the roles, functions and operation of audit committees. A copy of the Executive Summary of that guidance is attached as Appendix A.**
- 2. The Audit Committee's current terms of reference are reproduced at Appendix B.**
- 3. Suggested terms of reference for an Audit Committee (per the CIPFA Guidance) are reproduced at Appendix C.**
- 4. A self-assessment checklist (included in the CIPFA guidance) aimed at measuring the effectiveness of the Audit Committee has been completed and is reproduced at Appendix D. It is pleasing to note that a positive response has been given to 17 out of the 24 questions.**

5. Of the seven questions where a “No” response has been given, four areas are considered to be of greater significance and these are explored in greater detail below.

Question 2 - Do the terms of reference follow the CIPFA Model?

6. The following omissions have been identified:

Omission	Suggested Response
To liaise with the Audit Commission over the appointment of the council's external auditor	That this be considered in a review of the Committee's Terms of Reference prior to the next meeting of the Committee.
To commission work from internal and external audit	Given that both audit plans are presented to the Audit Committee, it is considered that any member concerns can be adequately discussed under current arrangements with the potential to amend plans, subject to resource constraints.
To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour; AND To monitor council policies on "Raising Concerns at Work " and the anti-fraud and corruption strategy and the council's complaints process	Monitoring and advising the Council about the operation of its Code of Conduct for Members are currently set out as terms of reference of the Standards Committee, as are monitoring and reviewing the operation of the Council's Whistleblowing Policy. Response to the CIPFA guidance has included cautionary comments from some quarters about confusing and/or duplicating the roles of the Audit Committee, Standards Committee and Overview & Scrutiny. In such circumstances, any change to the existing terms of reference of the Audit Committee must be considered within the wider context of the overall governance framework. That said, where practicable, the Audit Committee is and should continue to be "consulted" on key governance documents and processes.
To review any issue referred to it by the chief executive or a director, or any council body	Such an omission does not warrant an immediate change to the existing terms of reference
To approve a Statement of Purpose	Such an omission does not warrant immediate action

7. Given that the suggested terms of reference could encroach on those of other Committees, it is recommended that a review is undertaken and reported to the next meeting of the Audit Committee in April 2006, with a view to recommending changes to Council in May 2006 as necessary.

Question 13 - Are members sufficiently independent of the other key committees of the council?

8. The CIPFA guidance stipulates that the Audit Committee should include not more than one from each of the Executive and Overview & Scrutiny. The current membership includes two members of Cabinet and two members of the Budget & Performance Panel. With a membership of seven, the Committee is relatively large for the type of organization.
9. At a CIPFA Seminar in December 2005, following up the publication of the guidance, it was stressed that in terms of the workings of the Audit Committee “independence of attitude” was as important a feature as independence from other responsibility. There are practical benefits in having the Cabinet member with responsibility for finance on the Committee as well as the Chairman of the Budget & Performance Panel.
10. Members may wish to consider the CIPFA guidance on this matter. In practical terms, the independence expected of the Audit Committee may be most efficiently promoted through the provision of training on Members’ roles and responsibilities (see the following paragraphs).

Question 14 – Have all members’ skills and experience been assessed and training given for identified gaps (also related to questions 21 and 22)

11. The CIPFA document places great emphasis on Member training and suggests the following topics are covered:

Induction Training	Advanced Training
The role of the committee	Financial reporting
The terms of reference	Governance (including the Statement on Internal Control)
The time input required of members	Understanding financial statements
An overview of council activities	The regularity framework
The financial and risk environment	The role of internal and external audit
	The importance of risk management

12. Members may wish to reflect on this matrix. Further training could be provided in a variety of ways to suit the subject matter and Members’ personal needs.

Question 16 – Are separate, private meetings held with the external auditor and the internal auditor?

13. The CIPFA Guidance suggests that there should be the opportunity for both the Internal Auditor and External Auditor to meet privately with the Committee. Whilst there is nothing in the Committee’s terms of reference to either allow or preclude such meetings, they have not, to date, taken place. Under Financial Regulations, the Internal Audit Manager does have the right of access to elected Members.
14. Aside from providing the auditors with the opportunity to report any significant concerns directly to members of the Committee, a key purpose of such meetings would be to enable Members to develop their own programmes and priorities, review and influence audit activity and explore ways of obtaining assurance in areas of particular importance to the Committee.
15. Members are asked to consider whether, and in what circumstances they might wish to meet privately with the Internal Auditor or External Auditor.

FINANCIAL IMPLICATIONS

None arising from this report.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

The Terms of Reference of each Council Committee are very clearly set out in the Constitution. If members believe a review is necessary, the scope of the review needs very careful consideration. Whilst the Audit Committee has overall responsibility for Corporate Governance within the Council, each of the Personnel Committee, Standards Committee, and Overview and Scrutiny Committee has a role to play in governance arrangements. At present, as Monitoring Officer I haven't received any concerns regarding the functioning of these committees.

With regard to Member training, each individual Member is currently being canvassed to assess their specific training needs. It is anticipated that the outcome of this exercise will be a member training programme for 2006/7 that accommodates both individual and corporate training needs.

SECTION 151 OFFICER'S COMMENTS

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

BACKGROUND PAPERS

CIPFA Publication entitled "Audit Committees – Practical Guidance for Local Authorities"
Council Constitution

APPENDIX A

CIPFA Publication – Audit Committees – Practical Guidance for Local Authorities

Executive Summary

Although audit committees have been a feature of the public sector for some time, there has been a lack of clarity about how they should operate in local government. Audit committees are not just the concern of auditors; they are about the governance, financial reporting and performance of the whole authority. Yet the fact that local government is not required to establish them is unique in the public sector – less than half of all local authorities have audit committees.

Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an audit committee, independent from the executive and scrutiny functions.

Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. And they enhance public trust and confidence in the financial governance of an authority.

Now Comprehensive Performance Assessment sets a challenge to local authorities (in England) to ensure that their audit committees work effectively.

This guidance has been written to help those authorities that do not already have an audit committee to implement one effectively, and to help those authorities that have audit committee arrangements in place to assess whether they are as effective as they need to be to contribute to good governance.

CIPFA seeks to address the key issues in a discursive manner, without being prescriptive, as the variety of types, styles and sizes of local authorities mitigates against a single model for all.

This guidance therefore seeks to consider the key issues for all authorities to help them address the principles.

CIPFA stresses that audit committees have a key role in corporate governance. They should therefore be clearly integrated into an authority's governance framework.

This guidance explores the main purpose of an audit committee and concludes that these include giving independent assurance to members and the public, scrutinising financial management and reporting, and providing challenge across the council.

In addition to internal and external audit, the functions overseen by the committee should include a number of control strategies such as risk management, the authority's governance and assurance statements, and anti-fraud and anti-corruption arrangements.

This guidance identified a range of benefits to an authority from operation of an effective audit committee. These include increasing public confidence, highlighting the independence of audit, and raising awareness of the importance of internal controls. Consultees have assisted in highlighting a range of characteristics and success factors that help to identify when a committee is effective.

In terms of structure, CIPFA believes that the audit committee must be independent of the executive and scrutiny functions and that it must have a clear right of access to full council, other council groups and committees. The number of members and the frequency of meetings are not prescribed, but this publication gives guidance to allow authorities to determine their own approach.

This guidance stresses the importance of the audit committee's relationship with the authority's chief finance officer. The audit committee helps the officer to discharge his or her statutory functions. In turn, this officer is a key source of expert advice and guidance for the audit committee.

Audit committees exist in a number of councils, although not necessarily in name. What is important is the operation of the function of an effective audit committee. Status and independence are important, but being effective also means having well informed people able to confirm to the council that the right processes are in place to give confidence that the authority's financial stewardship and overall governance arrangements can be relied upon.

Everyone charged with the responsibility for governance in their authority will want to familiarize themselves with the issues covered by this guidance to enable their audit committees to work effectively.

Appendix B

SECTION 8 – AUDIT COMMITTEE

Composition: 7 Members of the Council on a PR basis, Chairman and Members of the Committee appointed by Council annually. Changes can be made by Council during the course of the year.

Terms of Reference

- 1 To review all matters relating to Internal and External Audit. It will have the right of access to all the information it considers necessary and can consult directly with Internal and External Auditors.
- 2 To monitor arrangements for discharging the Council's responsibilities for efficient and effective financial and operational resource management. In pursuing this aim, it will consider:-
 - the soundness, adequacy and application of controls;
 - compliance with policies, procedures and statutory requirements;
 - arrangements for safeguarding the Council's assets and interests;
 - the integrity and reliability of management information and financial records;
 - the economic, efficient and effective use of resources.
- 3 To approve the annual Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts under the Account and Audit Regulations 1996.
- 4 To approve the Audit Plan of the External Auditor.
- 5 To monitor the External Auditor's progress with the Annual Plan, including his comments on the Best Value Performance Plan and the production of agreed outputs.
- 6 To approve Internal Audit strategic plans and the Annual Internal Audit Plan.
- 7 To monitor Internal Audits progress with the Annual Audit Plan, evaluating the effectiveness of Internal Audit and the use of Audit resources and recommending adjustments to the Audit Plan.
- 8 To review and comment upon liaison arrangements between Internal and External Audit with a view to optimising the effective deployment of Audit resources.
- 9 To evaluate the adequacy and effectiveness of the Council's financial and operational policies and procedures including financial and accounting management through discussions with the External Auditors, Internal Auditors and appropriate officers.
- 10 To receive and review the findings of both Internal and External Audit examinations and to ensure that management takes appropriate action to implement agreed recommendations and to remedy any internal accounting, organisational or operational control weaknesses identified.
- 11 To receive the annual Internal Audit Report and annual controls assurance statement.
- 12 To monitor the effectiveness of the Code of Corporate Governance.
- 13 To refer to Council any matters it shall see fit.
- 14 To consider any matters referred to it by the Monitoring Officer in accordance with Overview and Scrutiny Procedure Rule 12.
- 15 With the Monitoring Officer to monitor and review the operation of the Constitution to ensure the aims and principles of the Constitution are given full effect.
- 16 To consider and approve amendments to the Council's Financial Regulations and

Contract Procedure Rules.

- 17 To consider and propose to Council any other amendments to the Constitution as necessary.
- 17 To act as the mechanism for Members of the Council to liaise with the Independent Remuneration Panel on the Members' Allowances Scheme.

DELEGATIONS TO OFFICERS

To the Chief Executive

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

APPENDIX C

CIPFA GUIDANCE – SUGGESTED AUDIT COMMITTEE TERMS OF REFERENCE

Audit Activity

- (a) To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- (b) To consider summaries of specific internal audit reports as requested.
- (c) To consider reports dealing with the management and performance of the providers of internal audit services.
- (d) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- (e) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- (f) To consider specific reports as agreed with the external auditor.
- (g) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (h) To liaise with the Audit Commission over the appointment of the council's external auditor.
- (i) To commission work from internal and external audit.

Regulatory Framework

- (j) To maintain an overview of the council's constitution in respect of contract procedures rules, financial regulations and codes of conduct and behaviour.
- (k) To review any issue referred to it by the chief executive or a director, or any council body.
- (l) To monitor the effective development and operation of risk management and corporate governance in the council.
- (m) To monitor council policies on "Raising Concerns at Work" and the anti-fraud and corruption strategy and the council's complaints process.
- (n) To oversee the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- (o) To consider the council's compliance with its own and other published standards and controls.

Accounts

- (p) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- (q) To consider the external auditor's report to those charged with governance on issues arising from the audit of accounts.

APPENDIX D

CIPFA SELF ASSESSMENT CHECKLIST – MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Issue	Ref	Yes	No	Comment
Terms of Reference				
Have the committee's terms of reference been approved by full council?	1	Yes		
Do the terms of reference follow the CIPFA model? Note: CIPFA also recommends that a local authority should formally approve a Statement of Purpose, along the following lines: <i>“The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process”</i>	2		No	<p>In the main, the terms of reference do follow the CIPFA model. The following areas set out in the CIPFA model are not explicitly defined within the Council's terms of reference:</p> <p><u>Audit Activity</u></p> <ul style="list-style-type: none"> To liaise with the Audit Commission over the appointment of the council's external auditor To commission work from internal and external audit <p><u>Regulatory Framework</u></p> <ul style="list-style-type: none"> To review any issue referred to it by the chief executive or a director, or any council body To monitor council policies on “Raising Concerns at Work” and the anti-fraud and corruption strategy and the council's complaints process To oversee the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice. <p>Note: A Statement of Purpose has not been approved</p>

Issue	Ref	Yes	No	Comment
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme?	3	Yes		Strategic approach and Annual Plan 2004/05 approved at meeting on 27 July 2005
Is the work of internal audit reviewed regularly?	4	Yes		Internal Audit monitoring reports are submitted to meetings during the year.
Are summaries of quality questionnaires from managers reviewed?	5		No	Quality questionnaires are obtained from managers following the completion of each audit. This information will be included in future monitoring reports.
Is the annual report, from the head of audit, presented to the committee?	6	Yes		Annual report and Controls Assurance Statement was presented to committee on 19 October 2005.
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the committee?	7	Yes		
Does the committee input into the external audit programme?	8	Yes		2005/06 Audit and Inspection Plan presented by the Relationship Manager to Audit Committee on 27 July 2005
General				
Does the committee ensure that officers are acting on and monitoring action to implement (audit) recommendations?	9	Yes		Results of Internal Audit work to follow up agreed actions are reported to the committee. Observation: There is an opportunity to link this function more closely to risk management arrangements and provide the committee with a more active role in monitoring and reviewing action.

Issue	Ref	Yes	No	Comment
<p>Does the committee take a role in overseeing:</p> <ul style="list-style-type: none"> • Risk Management Strategies • Internal Control Statements • Anti-Fraud Arrangements • Whistle-Blowing Strategies? 	10	Yes		<ul style="list-style-type: none"> • Revised Risk Management Policy and Strategy approved by the Audit Committee on 27th July 2005 • Statement on Internal Control reported to Audit Committee on 19th October 2005. • Anti-Fraud and Corruption Policies are reviewed by the Committee (due in early 2006) <p>Exception:</p> <ul style="list-style-type: none"> • To monitor and review as necessary the operation of the Council's Whistleblowing Policy is included in the terms of reference of the Standards Committee.
Membership				
Has the membership of the committee been formally agreed and a quorum set?	11	Yes		Membership approved at the annual Council meeting on 12 th May 2005. The quorum for all Committees is prescribed in the Constitution (Council Procedure Rules) and for the Audit Committee it is currently 3 out of 7.
Is the chair free of executive or scrutiny functions?	12	Yes		The Chairman of the Committee is also a member of the Licensing Act Committee but has no executive or scrutiny responsibilities.
<p>Are members sufficiently independent of the other key committees of the council?</p> <p>Note: CIPFA guidance stipulates not more than one from each of the Executive and O&S</p>	13		No	The Committee membership comprises 7 members of the Council, including two members of Cabinet and one member of the Budget and Performance Panel. The inclusion of the Cabinet Member with special responsibility for financial affairs is currently required.

Issue	Ref	Yes	No	Comment
Have all members' skills and experiences been assessed and training given for identified gaps?	14		No	No training programme for individual members has been produced (See also response at 22)
Meetings				
Does the committee meet regularly?	15	Yes		There are currently four scheduled meetings and other meetings are held as necessary.
Are separate, private meetings held with the external auditor and the internal auditor?	16		No	Under Financial Regulations, the Internal Audit Manager has right of access directly to members. Otherwise, private meetings are not set out in the Terms of Reference and have not been held to date.
Are meetings free and open without political influences being displayed?	17	Yes		
Are decisions reached promptly?	18	Yes		
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	19	Yes		Papers are dispatched at least five clear days before each meeting in accordance with the provisions of the access to information rules set out in Part 4 of the Constitution Observation – potential to review arrangements for submitting/publishing IA reports and format of report to the Audit Committee.
Does the committee have the benefit of attendance of appropriate officers at its meetings?	20	Yes		The meetings are routinely attended by the following officers: <ul style="list-style-type: none"> • Corporate Director (Central Services) • Head of Financial Services • Risk & Insurance Manager • Internal Audit Manager External Audit Relationship Manager and/or Audit Manager when relevant.

Issue	Ref	Yes	No	Comment
Training				
Is induction training provided to members?	21		No	Limited training has been provided so far by means of presentation to the Audit Committee in formal meeting
Is more advanced training available as required?	22		No	Whilst advanced training is available none has thus far been undertaken.
Administration				
Does the s151 officer or deputy attend all meetings?	23	Yes		See response at 20
Are the key officers available to support the committee?	24	Yes		See response at 20

Meeting of: AUDIT COMMITTEE
Date: 25 January 2006
Report of: Internal Audit Manager
Reference: aud/audcomm/250106
Title: Results of Internal Audit Work

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 results of Internal Audit work for the period.

RECOMMENDATIONS

1. That the report is noted
2. That the Audit Committee consider the Internal Audit Manager's report into the Council's handling of property dealings in the Poulton area (Addendum B) and consider whether it would like any further information, or recommend any further action.

REPORT

Introduction

Part of the Audit Committee's terms of reference is:

"To receive and review the findings of both Internal and External Audit examinations and to ensure that management takes appropriate action to implement agreed recommendations and to remedy any internal accounting, organisational or operational control weaknesses identified." (Constitution part 3, section 7, § 10)

Results of Internal Audit Work to 23 December 2005

The summary report and action plan from each completed audit and the summary report for each follow-up review is submitted for Members' consideration. For each audit, a fuller combined report including the Summary, Action Plan and Detailed Report has been posted on the Council's Intranet under Services→Financial Services →Internal Audit→Audit Reports.

If there are any specific questions about a report, or more detailed information is required, it would help if Members could contact the Internal Audit Manager on telephone number 582045 or email dwhiteway@lancaster.gov.uk prior to the meeting.

The following audit reports are attached to this report as Addendum A:

New Audit Reports

<u>Audit Title</u>	<u>Report Date</u>
Electronic Government 2004/05	17 Aug 2005
Payroll - Salaried Employees and Officer Expenses	02 Nov 2005
Best Value	02 Dec 2005
NDR 2005/06	07 Dec 2005
DDA and Race Equality compliance in relation to recruitment	22 Dec 2005

Follow-Up Reviews

<u>Audit Title</u>	<u>Report Date</u>
Car Parking - Provision and Control	20 Jul 2005
Contaminated Land	20 Jul 2005
Economic Development - Marketing and Promotion	19 Aug 2005
Planning	21 Nov 2005
Software Licensing	23 Dec 2005

Matters Arising from Audit Reviews

The action plans in the attached reports set out the detailed measures agreed to address any control weaknesses. The following issues are worthy of note:

- The majority of e-Government projects are being successfully managed using the "PRINCE 2" project management methodology, although it is recognised that there is scope to improve upon the Council's corporate project management arrangements and this is the subject of a wider Internal Audit review currently underway.
- The segregation of duties in respect of payroll continues to be a concern in that the payroll officer is currently responsible for amending employees' pay and pay scale details. The potential for error and inconsistency is compounded by the higher than acceptable error rate in the establishment book and inadequate documentation in personnel files to support changes made. The current payroll system is due to be replaced and appraisal of options on the way forward will address these issues, Internal Audit to be represented on the HR & Payroll Project Team.
- Progress on the development of a system interface exporting transactions from the Academy NDR system to the general ledger has been slower than expected. It has been agreed that the interface will be developed by the end of January 2006 to enable regular reconciliations between the two systems.

Poulton Property Dealings

Attached to this report as Addendum B is the Internal Audit Manager's report into the Council's handling of property purchases in the Poulton area, primarily linked with the Poulton Home Zone development. Members may be aware that this report was commissioned by the Head of Health & Strategic Housing in response to a number of concerns which were brought forward on behalf of affected property owners in the area.

The attached report has been completed to consider the Council's management of these property dealings, and a number of actions have been agreed and implemented to strengthen procedures, as set out in the accompanying action plan.

Concurrently with the investigation, the Poulton Area Renewal Task Group had included similar matters on its agenda. The Internal Audit Manager submitted a report summarising his findings to the Task Group on 23 June 2005, which was taken into account in the Task Group's final report. Overview & Scrutiny Committee reported to Cabinet on 18 October 2005, who resolved that *"...it be noted that the issues raised in respect of the effectiveness of the Council's consultation and communication and procedures for ensuring that dealings with properties offer a fair deal to all will be the subject of a report to Audit Committee in January 2006 when any recommendations for action will be made."*

The Audit Committee is asked to consider the report and the measures set out in the agreed action plan and also consider whether it would like any further information, or recommend any further action.

Results of Responsive Audit Work (Advice, Support and Investigations)

In addition to scheduled audit work, the following main pieces of responsive work have been undertaken:

▪ Investigations

Internal Audit has provided the Investigating Officer for a disciplinary investigation involving allegations of a financial nature. The investigation took 16 days to complete, including attendance at a disciplinary hearing. The disciplinary process has now been completed in this case.

▪ Procurement Development 2005/06 to date

The Principal Auditor, continues to play a significant role in the Procurement Strategy Group led by the Corporate Director (Central Services), and is currently covering many of the Procurement Officer's duties whilst she is on Maternity leave. After taking a lead role in the major revision of the Council's procurement arrangements and the drafting of the Corporate Procurement Strategy adopted by Council in July 2005, the Principal Auditor drafted an Improvement and Development Plan setting out the Council's current progress towards achieving the National Procurement Strategy targets. This document, approved by the Performance Review Committee, in December, also incorporates actions and targets aimed at meeting strategic/corporate procurement issues and will effectively form the work programme for the Procurement Strategy Group to 2007/08.

The Principal Auditor was also instrumental in drafting the Council's Procurement Concordat for Small and Medium Sized Enterprises (SME's). The main purpose of the Concordat is to recognise the contribution that local business can make to the delivery of public services. It also demonstrates how the Council will promote business opportunities for all SME's in the locality and sets standards, principles and commitments

that the Council, working with SME's, aims to achieve. The document was welcomed by the local Chambers of Commerce as a contribution towards achieving their own strategic objectives and was formally 'signed up' to in December, meeting a key milestone of the National Procurement Strategy for Local Government.

▪ **Performance Management/Risk Management**

Internal Audit has taken a proactive role in the development of proposals for a new performance management framework, which is currently being introduced. Auditors also continue to support the Risk & Insurance Officer and Risk Management Group in promoting and developing risk management processes and practices throughout the Council.

▪ **Contract Final Account Audits 2004/05**

Internal Audit has conducted two final account audits on engineering contracts, both of which exceeded the original contract sum by more than 5% because of works being added during the currency of the contract. Whilst both contracts relate to highways maintenance works funded by Lancashire County Council, the Acting Head of Engineering has been reminded of the need to report to Cabinet on the reason(s) for the overspend in line with this Council's Financial Regulations.

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 been consulted and has no comments to add

SECTION 151 OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Internal Audit Files

Contents**Basic Information****Headline Messages****Overall Opinion****Action Plan****Basic Information:****Report Date:** 17 August 2005**Lead Auditor:** Robert Bailey - Principal Auditor**Supervisor:** Derek Whiteway - Internal Audit Manager**Scope:** To review the Council's arrangements for the delivery of the e-Government agenda and the Council's own e-Government vision**Objectives:** To provide assurance that significant risks have been identified and effectively managed and that control measures in place are appropriate, robust and reliable**Headline Messages:**

- The Council has made significant progress and is on track to meet the Government's target for the delivery of electronic local services
- A strong e-Government Vision is in place which is helping the Council to shape the long-term strategy for electronic service delivery across the district
- A good management structure, led by the e-Government Cabinet Advisory Group, is providing direction towards achieving the Council's e-Government programme
- Through an active involvement with regional and sub-regional groups, as well as national projects, the Council is working collaboratively with its partners towards delivery of electronic local services
- The Council has set out plans to ensure that local e-government makes a substantial contribution towards the achievement of efficiency gains of 2.5% each year to 2007/08
- The challenge for the Council is to build on the good work already achieved to enhance the quality and effectiveness of electronic services provided to citizens and local business

Overall Opinion:

In March 1999 the Government produced a white paper, 'Modernising Government' which included a new package of reforms and targets, including a requirement that by December 2005 all local authorities should have 100% capacity to electronically deliver local services. This was followed by the paper 'Towards a National Strategy for e-Government' which set out the Government's vision on how this could be achieved and how e-government should enhance the quality and effectiveness of local services and democracy.

This audit has reviewed the Council's arrangements during 2004/05 for the delivery of the e-Government programme and the Council's own e-government vision which was approved by Cabinet in June 2004.

Based on the definition of Best Value Indicator (BVPI) 157 for Electronic Service Delivery the Council had achieved 54% e-enablement by 31 March 2005, up from 27% at the same time in the previous year. In April 2004, the Office of the Deputy Prime Minister (ODPM) published their 'priority service and transformation outcomes for local government', which comprises 73 outcomes, including 29 'required outcomes' that must be in place by the December 2005 target and 25 'good outcomes' which are expected to be achieved by the end of the Government's e-Government programme in April 2006. An assessment of the current status of these priority outcomes, as set out in the latest Implementing Electronic Government (IEG) return submitted to the ODPM on 15 July 2005, indicates that the Council is on target to meet the deadline for the required outcomes and has plans in place to achieve the good outcomes by 31 March 2006. Evidence that the use of e-Government supports the delivery of priorities will form a part of the Comprehensive Performance Framework (CPA) for 2005 with Councils being judged as performing well if they have met the targets for both the required and good outcomes.

The Council's plans to achieve these targets are supported by a strong e-Government vision which is helping the Council to shape the long-term strategy (to 31 March 2008) for electronic service delivery across the district. The e-Government vision uses the Lancaster District Community Strategy as the framework for determining how new technology will help both the Council and the wider district achieve its ambitions for the electronic delivery of services to citizens and local business. The Council's e-Government programme is supported by financial commitment to the delivery of local e-Government through the effective use of IEG monies provided by the ODPM (funding for which ends in 2005/06) and by the planned investment of revenue and capital expenditure to 2007/08.

Direction and monitoring of the achievement of the Council's e-Government programme is provided by a good management structure led by the e-Government Cabinet Advisory Group (eCAG), consisting of the Council's Member and officer e-champions, as well as Members from each of the political parties. Individual e-government projects are closely monitored by Project Teams and the Project Board, led by the Head of Information Services. In the main, e-Government projects are being successfully managed using the Prince 2 project management methodology, although it is recognised that there is scope to improve upon the Council's corporate project management arrangements and this is the subject of a wider Internal Audit review currently under way.

The 2004 CPA recognised that the Council has 'many examples of effective partnership working' and are 'working creatively with a wide range of partners'. This holds true in the context of e-Government with the Council actively involved in both regional and sub-regional groups, including the North West e-Government Group and the Lancashire e-Government Network, as well as national projects, such as e-innovations designed to deliver electronic means of learning for which the Council successfully bid for additional funding from the ODPM.

The Government's 2004 Spending Review (arising out of the Gershon review) resulted in local government being required to improve its effectiveness and efficiency in leading and delivering

services by achieving 2.5% efficiency gains per year in the delivery of local services to 2007/08. Local e-government will make a substantial contribution towards reaching this target and the Council has set out plans as to how this will be achieved in the Annual Efficiency Statements and IEG returns already submitted to the ODPM.

The overall conclusion of the audit is that the Council has made significant progress and is on track to meet the target for the e-enablement of services. The major challenge now facing the Council is to build on the good work already achieved to sustain e-government projects; to continue investment and collaboration with our partners to successfully deliver electronic local services and to ensure that local e-government makes a significant contribution towards achieving efficiency gains. The agreed actions set out in this report should help to meet those challenges.

Report Agreed By: Head of Information Services




I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.







Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)
Head of Information Services
Head of Financial Services
Members of Audit Committee
Audit Manager (District Audit)





Job: Electronic Government

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: Operational</p> <p>Projects may fail to deliver objectives through a failure to be adequately financed</p>	<p>1. A corporate approach to evaluating the effectiveness of partnership will be determined and arrangements made for a robust self-assessments of the effectiveness of current partnerships to be carried out. Mechanisms will be developed to ensure that the benefits of, and lessons to be learnt from, working in partnership are shared corporately.</p>	Corporate Director (Central Services)	31 March 2006	009248 
<p>The e-government programme may not be delivered through the systems and services developed to support it failing to be secure, reliable, resilient and sustainable</p>	<p>2. The Council's Information Security Policy will be reviewed in light of developments in information management systems and related legislation and will take account of work currently being carried out by the Information Management Group.</p>	Head of Information Services	31 December 2005	009243 
<p>Risk Group: Strategic</p> <p>The e-Government agenda may not be delivered through a failure to ensure there is a clear understanding of the high level and detailed requirements</p>	<p>3. A 'Benefits Realisation Plan' will be developed and implemented to assess progress towards the delivery of the local e-Government programmes strategic objectives and to assess the benefits achieved. The outcome of the assessment will be reported to the e-Government Cabinet Advisory Group for action.</p>	Head of Information Services	31 December 2005	009118 

Job: Electronic Government

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: Strategic</p> <p>The e-Government agenda may not be delivered through a failure to ensure effective management structures and arrangements are in place</p>	<p>4. Consideration will be given to the risks and opportunities for supporting new ways of working, including the development and approval of a home/remote working policy, as part of the ongoing pilot of the Council's approved Business Travel Plan and the Access to Services Accommodation Review currently under way. If this work identifies a need for home/remote working arrangements in support of corporate priorities a business case will be developed for consideration by Council Members.</p>	<p>Head of Human Resources & Organisation Development & Head of Corporate Strategy</p>	<p>31 March 2006</p>	<p> 009132</p>
	<p>5. Links between successful completion of the training and a recognised qualification/accreditation such as the European Computer Driving Licence (ECDL) will be considered and established to reinforce the comprehensive training programme already provided.</p>	<p>Learning & Development Officer</p>	<p>31 March 2006</p>	<p> 009133</p>
<p>Arrangements for the delivery of the e-Government agenda may not meet the needs of citizens and fails to ensure inclusive access through poor and ineffective consultation with the public</p>	<p>6. The Annual Consultation Programme currently being developed will be available on the Council's website and a mechanism established to demonstrate how consultation results are used to inform the Council's priorities, decision-making and service planning</p>	<p>Policy Officer</p>	<p>31 March 2006</p>	<p> 009122</p>
	<p>7. The e-Government project led by the Head of Planning and Building Control will assess whether there is a valid business need for the implementation of a Building Control 'Submit-a-Plan' system and report to the e-Government Cabinet Advisory Group on the outcome of the assessment.</p>	<p>Head of Planning & Building Control</p>	<p>31 December 2005</p>	<p> 009123</p>

Job: Electronic Government

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: Strategic</p> <p>Arrangements for the delivery of the e-Government agenda may not meet the needs of citizens and fails to ensure inclusive access through poor and ineffective consultation with the public</p>	<p>8. The Council's e-Procurement strategy will be developed as part of a major review of the Council's Procurement Strategy being undertaken by the Procurement Strategy Group. A business case for an e-procurement solution for the Council will be developed and, subject to approval and sufficient funding, the preferred solution implemented.</p>	<p>Corporate Director (Central Services) & Procurement Strategy Group</p>	<p>31 March 2006</p>	<p>009125 </p>
	<p>9. The e-Government project being led by the Chief Revenues Officer will determine whether there is a business case for efficiency savings, better customer service and improved collection rates through the provision of Council Tax and Business rates e-billing, and other on-line facilities, such as access to the Housing and Council Tax benefit claims process, and report to the e-Government Cabinet Advisory Group.</p>	<p>Chief Revenues Officer</p>	<p>31 March 2006</p>	<p>009127 </p>
	<p>10. The Annual Consultation Plan and review of the Consultation Strategy and toolkit will ensure that processes are in place to provide a co-ordinated and structured approach to consulting with the public which makes best use of available resources.</p>	<p>Policy Officer</p>	<p>31 March 2006</p>	<p>009150 </p>
	<p>11. Performance targets on the resolution of issues by Customer Services and customer satisfaction measurements to be considered by the Access to Services Review Team and Customer Services Project Team will be challenging but achievable and be regularly monitored to achieve continual improvement.</p>	<p>Access to Services Review Team and Customer Services Project Team</p>	<p>31 March 2006</p>	<p>009160 </p>

Job: Electronic Government

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: Strategic</p> <p>The e-Government agenda may not be delivered through a lack of effective arrangements aimed at achieving the required outcomes</p>	<p>12. The ongoing monitoring of e-Government projects will include an appraisal of outcomes against original objectives of the project and demonstrate how these contribute to the overall e-Government objectives and Vision. This is to be achieved through the introduction of a Benefits Realisation Plan.</p>	<p>Head of Information Services</p>	<p>31 December 2005</p>	<p>009145</p>
<p>The Council may fail to achieve efficiency review targets through a failure to deliver on a robust efficiency plan</p>	<p>13. Customer standards and performance targets and measures for the take-up of e-enabled access channels and service delivery will continue to be developed and established.</p>	<p>Head of Information Services</p>	<p>31 March 2006</p>	<p>009148</p>
<p>The Council may fail to achieve efficiency review targets through a failure to deliver on a robust efficiency plan</p>	<p>14. Arrangements for the gathering of evidence and compilation and submission of the forward and backward looking Annual Efficiency Statements will be formalised and the action plan and strategy in place to achieve the annual efficiency targets monitored and reviewed.</p>	<p>Corporate Director (Central Services)</p>	<p>31 December 2005</p>	<p>009252</p>
<p>The Council may fail to achieve efficiency review targets through a failure to deliver on a robust efficiency plan</p>	<p>15. The Procurement Strategy Group will review the Council's Procurement Strategy in light of the Government's efficiency review and other developments in procurement.</p>	<p>Corporate Director (Central Services)</p>	<p>31 August 2005</p>	<p>009256</p>

Action Plan Agreed By: Head of Information Services

Report Issued On: 17 August 2005

04/0588 - Payroll - Salaried Employees and Officer Expenses

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Basic Information

Headline Messages

Overall Opinion

Action Plan

Basic Information:

Report Date: 02 November 2005

Lead Auditor: Dawn Allen - Audit Assistant (PT)

Supervisor: Robert Bailey - Principal Auditor

Scope: To review the Council's arrangements for the operation of the Payroll System, in respect of Salaried Employees and Officer Expenses, in order to give an opinion as to the adequacy of financial control.

Objectives: To provide assurance that significant risks are identified and effectively managed, and that control measures in place are appropriate, robust and reliable.

Headline Messages:

- **Effective arrangements are in place to ensure compliance with DWP and Inland Revenue Legislation.**
- **Although variations to pay are appropriately authorised and promptly applied, personnel files did not support changes in all cases.**

04/0588 - Payroll - Salaried Employees and Officer Expenses

Overall Opinion:


Due to the recent completion of the 2002/03 Payroll audit and subsequent post audit review, it was agreed that this review would be conducted using a series of reality tests instead of the usual control evaluation approach.

The review confirmed that appropriate arrangements are in place to ensure that the Authority complies with Inland Revenue and DWP legislation. Deductions for Tax, National Insurance and Superannuation are appropriately authorised, correctly calculated and paid within the required timescales. All leavers within the testing sample had been promptly identified and subsequently issued with a P45 in line with legislative requirements.

A continuing area of concern (raised in previous audits) is the adequacy of controls over the establishment. The establishment structure should be authorised and maintained independently of the Payroll section to minimise the risk of fraud. Effective control would be established through an integrated HR/Payroll system (planned when resources are available), enabling the input of all standing data independent of Financial Services and supported by personnel files containing evidence of the authorised amendments to pay. The Payroll Officer currently has the ability to amend pay and until an integrated system is available the accuracy over the Authorities establishment book (a spreadsheet maintained by HR&OD) is over-reliant on periodic checks against the payroll system. Testing during this review found a higher than acceptable error rate in the establishment book with corrections being made based upon the periodic checks to payroll, indicating payroll to be the prime document and raising questions about the need for the establishment book in its current form. Errors were found relating to grades (spinal points), hours worked and enhancements to pay (honoraria) and in some cases tested the documentation held on personnel files in support of these variations was inadequate or non-existent. There is scope to improve the position through the forthcoming decentralisation of personnel files and instructions which are to be issued to all Services regarding their upkeep.

It is uncertain what impact the agreed actions will have on improving the accuracy of the establishment book and whether it will confirm the establishment book as a prime record. Resolution of the separation of duties issue can not be fully addressed until an integrated HR/Payroll system is in place. The risk of overpayments continues, as found in one case tested, through the lack of a mechanism to follow up the expiry of honoraria payments.

Unresolved Issues

<i>Issue</i>	<i>Ref</i>
1. Proposals in respect of honorarium payments do not provide a system to follow up missed expiry dates.	008805 

Report Agreed By: Head of Human Resources and Organisation Development/Accountancy
Services Manager

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager

Distribution: Chief Executive
Corporate Director (Central Services)
Head of Financial Services
Head of Human Resources and Organisation Development
Corporate Finance Manager
Members of Audit Committee
Audit Manager (District Audit)

Job: 04/0588 - Payroll - Salaried Employees and Officer Expenses

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: Payroll 2004/05</p> <p>Financial losses may be incurred due to staff being employed/paid without authority.</p>	<p>1. Written instructions will be issued to all Service Heads by Human Resources and Organisation Development Service (HR&OD) requiring HR&OD to be notified of all authorised temporary amendments and honoraria payments and again upon expiry of this temporary arrangement period.</p> <p>Any amendments affecting employees pay e.g. honorarium payments, increase/decrease in working hours etc. will be recorded in the establishment book when notification is received and will be recorded by Services in personnel files accordingly.</p> <p>The written instruction will also require Service Heads to ensure that personnel files contain two references as required by the Recruitment and Selection Code of Practice, as well as copies of other documentary evidence that supports that original birth certificates, national insurance numbers and required qualifications have been verified prior to employment commencing.</p>	Katie Dunne	31 March 2006	008805
<p>Financial losses may result from a failure to authorise and/or correctly implement variations to pay.</p>	<p>2. HR&OD will provide Service Heads with written notification when the request to change an employees post/grade has been actioned and advise that this be retained on employees personnel files in order to provide an audit trail.</p>	Katie Dunne	31 March 2006	008828

04/0571 - Best Value

Contents

Basic Information

Headline Messages

Overall Opinion

Action Plan

Basic Information:

Report Date: 02 December 2005

Lead Auditor: Amanda Robinson - Senior Auditor

Supervisor: Derek Whiteway - Internal Audit Manager

Scope: To review the Council's arrangements for collecting and reporting Performance Indicators (PIs).

Objectives: To evaluate the processes for collecting and reporting PIs ensuring statutory requirements are met and potential to use PIs to drive improvement is maximised.

Headline Messages:

- Performance management arrangements have improved through a more focused Corporate Plan, the introduction of the Medium Term Financial Strategy and key performance indicators based on priorities, to be monitored by the Performance Review Committee.
- The Authority is working towards ensuring its priorities remain focussed and responsive to the changing needs of the community and stakeholders.
- Performance management needs to be embedded into the culture of the Authority to promote a culture of continuous improvement.
- Improvements must be driven by strong leadership and engagement of the workforce, customers and stakeholders.
- The Performance Management Framework is to be clarified with a view to raising corporate understanding.
- More needs to be done to ensure performance information effectively informs the decision-making process.
- The Escendency system provides an opportunity to facilitate change.

Overall Opinion:

Best Value and performance management are inextricably linked. Performance management is key to improving service delivery and cost-effectiveness as required by the government's reform agenda and Comprehensive Performance Assessment (CPA). Best practice suggests the features of an effective performance management framework include:

- capturing the authority's activities and desired influences showing the relationship between high level aims, objectives and priorities, indicators and targets, and actions;
- making accountabilities clear;
- ensuring improvements are driven by regular monitoring and active performance management, through a process of diagnosis, learning and action; and
- ensuring feedback from the community and stakeholders is fed into the monitoring process.

This audit has considered the adequacy of the Council's performance management framework, how the authority uses performance information and the potential for improving the overall approach to performance management.

There is no doubt that improvements have been made in the planning process in recent years; a Medium-Term Financial Strategy is in place, a Pay and Workforce Strategy and Development Plan is being developed and the Corporate Plan is more focussed with six clear objectives derived from the Cabinet's Coalition Priorities. Scope to improve consultation on priorities is being addressed through new consultation arrangements as set out in the Budget and Policy Framework Timetable 2006/07 and resources allocated to the implementation of the Corporate Consultation Strategy. Key performance indicators within the Corporate Plan are being monitored by the Performance Review Committee. However, despite longer-term targets in some areas the focus still feels primarily short-term and more work is required to ensure statements regarding performance management, and particularly performance monitoring, are achieved.

Work is ongoing to link budget and performance information through business planning but it is recognised there is still some way to go to develop the elements into a cohesive performance management framework. Further, in order to effectively embed performance management in the culture of the Authority there is a need to ensure that performance management information effectively informs the decision-making process, best practice is shared and leadership promotes a culture of continuous improvement. Staff need to be engaged in designing change and their views need to be channelled to decision-makers along with those of the community and stakeholders. A group has now been formed, chaired by the Chief Executive, and tasked with documenting the Performance Management Framework with a view to clarifying Member and management responsibilities, reporting lines and intervals, and ultimately increasing corporate understanding of the performance management process to enable the embedding of a culture of continuous improvement.

Whilst it is becoming increasingly recognised that proactive performance management should inform and improve service delivery it is evident that success is currently service based rather than corporate. There is still no accurate picture of how the Authority is performing overall in terms of meeting its stated objectives. A web-based performance management system, Escendency, is currently being developed and piloted which enables the linking of performance information to organisational aims with weightings according to importance and the tracking of performance against those aims. Reports are able to show trends over time, variances etc. in formats which are easy to understand and which could be of use to the decision-making process. It is hoped that the rolling-out of the system across the Authority will provide impetus to the change process by engaging the workforce and facilitating the sharing of best practice leading to a corporate approach to performance management. It is also hoped that the system will facilitate a recognised need to improve the quality of performance information to Members to enable informed decisions.

04/0571 - Best Value

Performance indicators need to drive improvement, focussing on what is to be achieved and demonstrating that achievement. Generally, many of the current indicators are not challenging in that they tend to concentrate on things the authority is already doing rather than what it wishes to achieve and Best Value Performance Indicators (BVPIs) often do not reflect locally desired outcomes. Whilst some services proactively use performance information the majority do not, this being substantiated through testing on BVPIs during this review. Testing found procedures for collating BVPIs are generally not documented, there were errors in interpreting the BVPI definition, standards of documentation were inadequate in some cases and simple data transfer or calculation errors were apparent suggesting the information is not seen as important. Again the roll-out of Escendency, to include workshops, provides an opportunity to review indicators and set meaningful targets.

The BVPI 199 - 'Cleanliness of relevant land and highways' warrants special mention. Preliminary feedback from the Audit Commission's annual review of the Council's Best Value Performance Plan suggests the indicator is to be reserved due to slippage in collecting the data within the three specified seasonal periods and wrong treatment of cases where there were insufficient transects in a ward for a particular land use, their final opinion to take into account other local authorities' performance on this indicator. Whilst reservation would mean this indicator is not included in the Audit Commission's published statistics, the considerable effort made in collecting information over the last year should be acknowledged together with the fact that the Service concerned is using the information gathered proactively, organising additional 'clean ups' as necessary. Actions agreed during the course of this audit seek to ensure full compliance in 2005/06.

Positive action is now being taken to address current deficiencies in performance management arrangements, most notably clarification of the Performance Management Framework and the roll-out of Escendency. Ongoing management will be required to ensure proposals deliver meaningful management information on a timely basis to aid the decision-making process and improve efficiency whilst embedding a culture of continuous improvement across the Authority.

Report Agreed By: Head of Corporate Strategy, Best Value Officer, HR Officer and Performance Monitoring Officer (CCS).



I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.




Derek Whiteway CPFA, Internal Audit Manager

Distribution: Chief Executive
Corporate Director (Central Services)
Corporate Director (Community Services)
Head of Corporate Strategy
Best Value Officer
Head of Financial Services
Members of Audit Committee
Audit Manager (District Audit)

Job: 04/0571 - Best Value

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: A. Strategic</p> <p>Performance information collected may fail to drive improvement if it is not effectively linked to corporate priorities and/or is not outcome based.</p>	<p>1. An initial meeting has been held to determine the way forward with regards collecting data for BV177, a cross-cutting indicator requiring input from several services including Legal, Strategic Housing and Administration. Further investigations into what data is required to compile the indicator are to be carried out and responsibility for overall co-ordination of the BVPI is to allocated based upon the results of those investigations.</p>	Best Value Officer	31 December 2005	008384 
<p>Risk Group: C. Operational</p> <p>Year-end 'surprises' may result through inappropriate data collection methods.</p>	<p>2. Re. BVPI 12 (the number of working days/shifts lost to sickness absence):</p> <ul style="list-style-type: none"> - The sickness return form has been redesigned to enable easier and consistent calculations in respect of part-time workers (returns for part-time workers are in hours consistent with the calculation of the denominator). - Management checks on sickness returns, calculations and the transfer of data to the Human Resources and Organisation Development (HR&OD) spreadsheet are evidenced on the returns, the checking officer notating the sheet accordingly and signing and dating the note. - HR&OD will produce clear documented procedures for the production of their own PIs. 	HR Officer	31 July 2005	008398 

Job: 04/0571 - Best Value

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
Risk Group: C. Operational	The Authority may suffer criticism from the Audit Commission if it fails to present substantiated performance information on time.	<p>3. Re. BVPI 199 (Cleanliness of relevant land and highways). Data collection and reporting will be in accordance with ENCAMS Guidance ensuring:</p> <ul style="list-style-type: none"> - the three samples for 2005/06 are surveyed in accordance with statutory requirements (i.e. one sample in each seasonal period April to July, August to November and December to March); - land use takes priority over wards in selecting transects; - checklists are completed per ENCAMS guidance and further guidance to be sought from DEFRA on the detail required to identify transects; - a masterfile is maintained for each four monthly survey containing all relevant information including the survey forms, maps and summary tables of the number of sites surveyed by ward and land use (available through the spreadsheet); and - management checks are evidenced, managers periodically checking transect selection and certifying each four monthly masterfile as being a representative set of sites and assessments across the Authority. 	Performance Monitoring Officer, 31 July 2005	 008394

Action Plan Agreed By: Head of Corporate Strategy, Best Value Officer, HR Officer and Performance Monitoring Officer (CCS). **Report Issued On:** 02 December 2005

05/0600 - NDR 2005/06**Contents****Basic Information****Headline Messages****Overall Opinion****Action Plan****Basic Information:****Report Date:** 07 December 2005**Lead Auditor:** Amanda Robinson - Senior Auditor**Supervisor:** Robert Bailey - Principal Auditor**Scope:** To review the Council's arrangements for the operation of the NDR System in accordance with Audit Commission requirements relating to the systems of internal financial control.**Objectives:** To help the Council attain a position whereby the objectives of, and risks relating to, the operation of the NDR system are documented, understood and effectively managed.**Headline Messages:**

- Arrangements in respect of NDR are well managed through established procedures.
- The new Academy NDR system is fit for purpose, well managed, and provides comprehensive account/transaction histories.
- Residual errors/problems from implementing the new system are being resolved on an ongoing basis.
- Arrangements in respect of exception reporting are to be strengthened.
- An interface between the Academy NDR and Main Accounting systems is to be developed to enable monthly reconciliations of the two.

Overall Opinion:

Forty five risks were identified during the course of this review. Thirty five risks were considered well managed, improvements were in hand in respect of seven and scope for improvement was identified in the remaining three to be addressed through the agreed actions resulting from this review.

Arrangements for NDR are compliant with legislation. Valuation and billing arrangements, collection procedures and income monitoring are good and void properties are well managed. Comprehensive records and documentation support NDR transactions.

Recovery action, suspended during the first half of the financial year due to implementation of the new system, commenced during the course of this review and was therefore excluded from testing. However arrangements are to follow established procedures and committal action is to continue to be managed through an in-house committal database which provides a good level of control.

The new Academy system supports Authority needs in respect of NDR collection and management. The system itself is well managed with good procedures for upgrades, scheduled downtime, backups and parameter settings. Systems access is well controlled through access permissions and passwords though Revenue Services recognise the need to develop procedures to deal with exception reports. Reports are to be developed to:

- review arrangements to pay, the Academy system having no parameters to ensure officers' documented authority in respect of making arrangements is not exceeded; and
- review refunds which would result in a balance outstanding on the account, the system allowing refunds on accounts in credit.

Despite difficulties with the new system the majority of 2005/06 bills were despatched in March and procedures for future years are to be enhanced through related agreed actions resulting from this review.

Revenue Services continue to resolve residual errors from the conversion to the new system and work is ongoing to synchronise the system's rateable value to that of the Valuation Office though this in part is reliant on a new system release, the current version unable to accommodate some valuation changes. Periodic reconciliations of the two totals ensure differences are identified for correction at a later date.

An interface between the Academy NDR system and Main Accounting System is to be developed enabling monthly reconciliations between the two systems.

Implementation of the new system was not an easy task, compounded by the concurrent revaluation, limited time available and large number of errors on conversion. This review recognises the hard work put into the successful implementation of the new system evidenced by the large proportion of risks well managed. Congratulations to those involved.

Report Agreed By: Local Taxation and Income Manager

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)
Chief Revenues Officer
Local Taxation and Income Manager
Head of Financial Services
Members of Audit Committee
Audit Manager (Audit Commission)

Internal Audit - Action Plan

AP/1

Job: 05/0600 - NDR 2005/06

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: A - OPERATIONAL</p> <p>Bills may be incorrect if all relevant records and accounts are not updated to record any new properties or amendments to existing properties.</p>	<p>1. Composite properties in the NDR list will be periodically checked to the Council Tax system to ensure that there are no anomalies.</p>	Business Rates Manager	31 March 2006	009322
<p>Income may be affected through failings in the billing run.</p>	<p>2. Sample bills produced for the purposes of testing parameter changes will be notated and retained to evidence checks performed.</p>	System Support Officer	31 March 2006	009343
<p>Income may be affected through a failure to properly manage arrangements to pay agreed with the ratepayer.</p>	<p>3. Reconciliations will take place at billing of: - the opening debit per the system to the valuation list; and - the number of bills expected per the system to the number of bills posted.</p>	System Support Officer	31 March 2006	009344
<p>Income may be affected through a failure to properly manage arrangements to pay agreed with the ratepayer.</p>	<p>4. The System Support team are to develop an exception report to be run on a monthly basis highlighting arrangements that extend beyond the end of the financial year.</p>	System Support Officer	31 March 2006	009350
<p>Errors and/or misappropriation could occur through inadequate authorisation/checking mechanisms.</p>	<p>5. The System Support team are to develop an exception report to be run weekly, prior to the refund production job, to highlight cases where the refund is greater than the credit balance, resulting in a 'current balance outstanding'.</p>	System Support Officer	31 March 2006	009379

Job: 05/0600 - NDR 2005/06

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p>Risk Group: A - OPERATIONAL</p> <p>Errors and/or misappropriation may not be detected through inadequate reconciliation procedures.</p>	<p>6. The Principal Accountant, in consultation with the Revenues System Support Officer, will work with Information Services on the development of an interface exporting transactions from the Academy NDR system to the general ledger. Once in place Financial Services will carry out reconciliations between the two systems on a daily basis until they, and Information Services, are confident that the interface is working. Thereafter reconciliations will be monthly and documentary evidence of all reconciliations will be maintained.</p>	<p>Principal Accountant (Technical/Standards)</p>	<p>31 January 2006</p>	<p>009385</p>
<p>Risk Group: B - STATUTORY</p> <p>The Authority may fail to comply with legislation through staff being unaware of statutory requirements, regulations and practice notes.</p>	<p>7. Documented procedures for recovery are in place and the Business Rates Manager has written training notes for the new system which will be incorporated into a comprehensive procedure manual once the system is embedded.</p>	<p>Business Rates Manager</p>	<p>30 September 2006</p>	<p>009405</p>

Action Plan Agreed By: Local Taxation and Income Manager

Report Issued On: 07 December 2005

04/0585 - DDA and Race Equality compliance in relation to recruitment

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Basic Information:

Report Date: 22 December 2005

Lead Auditor: Lorraine Woollard - Senior Auditor

Supervisor: Derek Whiteway - Internal Audit Manager

Scope: To review the Council's arrangements for ensuring compliance with current Disability Discrimination and Race Relations legislation in relation to recruitment.

Objectives: To provide assurance that significant risks are identified and effectively managed, and control measures in place are appropriate, robust and reliable.

Headline Messages:

- Arrangements for the recruitment and selection of staff are compliant with race and disability legislation
- The Authority demonstrates commitment to preventing discrimination through its range of equality policies and procedures.
- Job descriptions and person specifications are non-discriminatory and recruitment advertising makes a positive statement in welcoming applicants from ethnic minority candidates and those with disabilities.
- Effective performance management arrangements are to be put in place to include regular monitoring, analysis and reporting on the effectiveness of equality policies with results informing future recruitment practice.
- Targets are to be reviewed to ensure that they remain relevant and achievable and will be discussed in appropriate forums to ensure that are open and inclusive.
- The Authority's equality policies are to be reviewed to ensure that they remain up to date and in line with current legislation.

Overall Opinion:

Following a recommendation from the External Affairs Review Board on consulting disabled people it was agreed by Council that a review of the Council's recruitment process for compliance with requirements of the Disability Discrimination Act (DDA)1995 be carried out. As well as covering DDA issues as per Council's resolution, at the request of the Head of Human Resources and Organisation Development, this review has also considered compliance with Race Relations legislation in relation to recruitment.

Good arrangements are in place to ensure that the Authority demonstrates its commitment to providing equality of opportunity and fair treatment in the recruitment of its staff, and to ensure compliance with both the Race Relations Act and the Disability Discrimination Act, in relation to recruitment. The comments below and agreed actions resulting from this review address procedural issues, the communication and clarification of officer and Member responsibilities, the development of performance management arrangements and policy development. Where relevant, and particularly where the agreed actions require significant resources to implement, these are to form part of the Human Resources and Organisation Development Service Business Plan for 2006/07.

Arrangements for the recruitment and selection of staff are compliant with race and disability legislation and are in line with good practice. The Authority has in place a range of equality policies and procedures which is supported by the Recruitment and Selection Code of Practice, demonstrating its commitment to preventing discrimination.

Comprehensive training is made available to those involved in the recruitment and selection process and as a minimum requirement the Chair of the selection panel must have attended the course. Disability awareness training is also made available to staff and recruiting officers are to be reminded of the need to attend this course to ensure that they are up to date in the requirements of DDA legislation.

Job descriptions and person specifications are non-discriminatory and recruitment advertising makes a positive statement in welcoming applications from ethnic minority candidates and those with disabilities. The Authority uses a variety of media to advertise its vacancies, and a review of current arrangements is to be carried out to establish the effectiveness of advertising in reaching people from diverse racial groups and those with disabilities. Consideration is also to be given to how disabled people in particular are informed of the Authority's vacancies as current advertising does not target this audience.

As required by the Race Relations (Amendment) Act 2000, the Authority has in place a Race Equality Scheme supported by the Race Equality Policy. Both these documents, along with the Disability in Employment policy, are to be reviewed to ensure that they remain up to date and in line with current legislation.

Performance management arrangements are to be developed to include regular monitoring, analysis and reporting of the effectiveness of recruitment policies and procedures. In terms of being representative of the community, staff with disabilities and those from an ethnic minority background are currently under-represented in the Authority. Targets in relation to recruitment and composition of the workforce are to be reviewed to ensure that they remain relevant and achievable. If targets are to be achieved it is essential that research, monitoring results and consultation feedback are used to inform decision making and future recruitment practices.

The Authority has achieved level one of the Equality Standard for Local Government and is progressing towards level two. To achieve this a Corporate Equality Plan is to be developed which will form part of the Authority's framework for achieving equality. The Plan will sit alongside existing equality policies and procedures and incorporate individual Service action plans for promoting equality. There is a recognised need to ensure that the Corporate Equality

04/0585 - DDA and Race Equality compliance in relation to recruitment

Plan is appropriately linked to the Authority's existing equality policies and procedures and that action plans are co-ordinated.

Report Agreed By: Principal Human Resources Officer

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.








Derek Whiteway CPFA, Internal Audit Manager

Distribution: Head of Human Resources and Organisation Development
Principal Human Resources Officer
Chief Executive
Head of Financial Services
Members of Audit Committee
Audit Manager (District Audit)







Job: 04/0585 - DDA and Race Equality compliance in relation to recruitment

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
Risk Group: A) Strategic If appropriate policies and procedures are not in place the Authority may fail to demonstrate its commitment to providing equality of opportunity and fair treatment in the recruitment of its staff.	1. To further enhance employees understanding and awareness of the Council's approach and commitment to race equality the Race Equality Scheme will be published on the Authority's intranet	Head of HR & Organisation Development	31 March 2006	008459
	2. Services will be encouraged to take advantage of the recruitment and selection training so that all recruiting staff have received appropriate training in applying the Authority's equality policies.	Head of HR & Organisation Development	31 March 2006	008460
	3. Monitoring of equality policies will be exercised through the revised performance management framework with reports initially going to the Performance Review Team for Human Resources, or the Diversity Performance Review Team, and the Budget and Performance Panel. Issues requiring correction action will be referred to the Personnel Committee under its terms of reference for developing and implementing personnel policies and procedures.	Head of HR & Organisation Development	31 March 2006	008462
	4. The Disability in Employment Policy will be reviewed to ensure that it complies with the latest legislation	Head of HR & Organisation Development	30 September 2006	008463
	5. Recruitment literature will be amended to include details of how applicants can use the complaints procedure if they feel they have been discriminated against in the recruitment process.	Head of HR & Organisation Development	31 March 2006	008464

Job: 04/0585 - DDA and Race Equality compliance in relation to recruitment

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
Risk Group: A) Strategic				
If appropriate policies and procedures are not in place the Authority may fail to demonstrate its commitment to providing equality of opportunity and fair treatment in the recruitment of its staff.	6. Equality policies will be updated with the correct bodies receiving reports.	Head of HR & Organisation Development	31 March 2006	008466 
	7. Targets in relation to recruitment and composition of the workforce will be reviewed to ensure that they remain relevant and achievable. To ensure that targets are open and inclusive consultation with the appropriate equality forums, including the Cabinet Member with Responsibility for Diversity, will also take place.	Head of HR & Organisation Development	30 April 2006	008467 
	8. Effective performance management arrangements will be put in place to include regular monitoring, analysis and reporting of the effectiveness of equality policies in relation to recruitment.	Head of HR & Organisation Development	31 March 2007	008469 
	9. Results of the consultation with groups representing minority ethnic groups and those with disabilities will be used to inform future positive action schemes and recruitment practices with a view to attracting and recruiting these groups of the community.	Head of HR & Organisation Development	31 March 2007	009259 
	10. Work will be carried out to establish why candidates from an ethnic minority background and those with disabilities are less successful in the recruitment process.	Head of HR & Organisation Development	31 March 2007	009292 

Job: 04/0585 - DDA and Race Equality compliance in relation to recruitment

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
Risk Group: B) Regulatory	If the Authority does not comply with the Disability Discrimination Act in relation to its recruitment practices it may be subject to legal action and subsequent loss of reputation.	Head of HR & Organisation Development	31 March 2006	 008423
	11. To encourage applications from people with disabilities consideration will be given to vacancy advertising including the fact that the Authority operates flexible working arrangements.			
	12. Recruiting officers will be encouraged to attend the training on disability awareness to ensure that they are aware of the requirements of DDA legislation in relation to recruitment.	Head of HR & Organisation Development	31 March 2006	 008424
	13. In order to avoid the risk of indirect discrimination the Human Resources and Organisation Development section will ensure that person specifications do not overstate requirements and only include those related to the duties of the job.	Head of HR & Organisation Development	31 December 2005	 008427
	14. Managers will be asked to provide copies of interview questions to be kept on vacancy files and periodically examined by Human Resources staff.	Head of HR & Organisation Development	31 December 2005	 008430
	15. The availability of vacancy information, and ability to accept applications in different formats will be more widely publicised to further encourage applications from those with disabilities.	Head of HR & Organisation Development	31 March 2006	 008435
	16. Recruiting officers will be reminded of the requirement to complete the documentation giving reasons why a disabled applicant was not shortlisted or successful at interview. Verification of this documentation will also be appropriately evidenced by Human Resources staff.	Head of HR & Organisation Development	31 December 2005	 008438

Job: 04/0585 - DDA and Race Equality compliance in relation to recruitment

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
Risk Group: B) Regulatory	If the Authority does not comply with the Race Relations Act in relation to its recruitment practices it may be subject to legal action and subsequent loss of reputation.	Head of HR & Organisation Development	31 December 2005	008479
17. Recruiting Managers will be reminded of the need to avoid the use of subjective statements in preparing Person Specifications. For example 'good communications skills' should be avoided instead stating the skill required, for example, 'ability to prepare short reports'.	Head of HR & Organisation Development	31 March 2007	008492	
18. A review will be carried out to establish the effectiveness of current advertising arrangements in reaching people from diverse racial groups and those with disabilities. Special consideration will be given to how disabled people in particular are informed of the Authority's vacancies as current advertising does not target this audience.	Head of HR & Organisation Development	31 March 2007	008496	
19. Assurance will be sought through compliance testing of the recruitment and selection process that managers recruit only on an applicant's ability to meet job requirements and the person specification.	Head of HR & Organisation Development	31 March 2006	008501	
20. To avoid any potential claim of discrimination the Authority procedures in relation to obtaining references will be clarified and applicants will be advised that referees will only be contacted should they be offered the post.	Head of HR & Organisation Development	31 December 2005	009066	
21. Managers will be advised that wherever possible person specification should be discussed with another manager or Senior Officer to ensure objectivity.	Report Issued On: 22 December 2005			

Action Plan Agreed By: Principal Human Resources Officer

Internal Audit - Follow Up Summary Report

Job: 03/0524 - Car Parking - Provision and Control

Date of Final Report: 20 July 2004

Agreed By: Head of Engineering Services and Parking and Administration
Manager

Date of Follow-Up: 20 July 2005

Overall Opinion on Follow Up:

A follow-up review has been carried out to determine progress made in implementing the agreed actions following the original audit completed in July 2004.

At the time of the original audit the Authority was seeking to implement decriminalised parking enforcement under an Agency Agreement with Lancashire County Council. In September 2004, the Authority took over responsibility from the Police for enforcing a range of onstreet parking restrictions. Enforcement duties, previously carried out by Traffic Wardens, are now the responsibility of Parking Attendants employed by National Car Parks Ltd. These enforcement arrangements includes all car parks currently managed by the Council. The new arrangement is called ParkWise.

Four actions were agreed at the time of the audit of which one has been fully implemented. The three remaining are in the process of being implemented.

Hazard reporting procedures have been formalised through the use of hazard/incident sheets completed with full details of the hazard or incident, including the action taken to remedy the situation. The Parking Strategy is still being developed and a target date for completion has been set for the end of August 2005.

Condition assessments are produced on a six monthly basis which include a score for each car park based on a formula which uses security and the condition of the car park to achieve an overall rating. The Service recognises that the link between condition and spending is not yet fully developed but is aiming to reduce the score each year to demonstrate improvements.

Monthly meetings are held with Parkwise in order to develop links and communication with the Police over residual Police parking responsibilities.

Implementation of Agreed Actions - Detail

Ref

Agreed action has been fully implemented:



Hazard reporting procedures will be formalised and reviewed for appropriateness given proposals to employ all Parking Attendants through NCP. Procedures will ensure responsibilities for dealing with reported incidents are clearly defined and all are dealt with quickly and efficiently.

[005877](#)

Job: 03/0524 - Car Parking - Provision and Control

Agreed action is in the process of being implemented:



Documented standards for parking area design and maintenance will be incorporated into the Parking Strategy. Condition statements will be in place and an objective review system also incorporated into the Strategy aiming to link conditions to spending with a view to continuous improvement in standards.

[005908](#)



The Authority will continue to encourage County to meet with the police with a view to reaching a formal agreement regarding the management of enforcement under DPE, including communications issues, which both parties can work to and ensuring that the police adequately resource their residual enforcement responsibilities.

[005939](#)



Clear links between consultation and parking policy will be demonstrated through the development of the parking strategy.

[005954](#)

Derek Whiteway

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Community Services)
Head of Engineering Services
Parking and Administration Manager
Head of Financial Services
Members of Audit Committee
Audit Manager (District Audit)

Internal Audit - Follow Up Summary Report

Job: 03/0538 - Contaminated Land

Date of Final Report: 16 July 2004

Agreed By: Head of Health and Strategic Housing

Date of Follow-Up: 20 July 2005

Overall Opinion on Follow Up:

A follow-up review has been carried out to determine progress made in implementing actions agreed following the audit completed in July 2004. Twelve actions were agreed at the time of the audit of which one has been fully implemented, four have been partially implemented, five are in the process of being implemented and the remaining two have yet to be addressed.

Following the original audit a Contaminated Land Working Group was established. The group's first meeting was well attended by representatives of appropriate services and the key issues to improving the corporate approach to land contamination were identified. Services are also to be made aware of legislation, policies, best practice and guidance through the working group.

Health and Strategic Housing have developed a protocol for arrangements with the Planning and Building Control Service, this is currently in the process of being agreed and should be finalised by December.

It was reported at the time of the original audit that resources directed to implementing the contaminated land strategy were insufficient and therefore the strategy's work programme required revision. The Contaminated Land Officer is currently revising the work programme and this should be finalised by the end of August. The Contaminated Land Officer is also currently in the process of collating all information and knowledge relating to contaminated land with a view to this information being accessible to all Services who have responsibilities in relation to it. Limited resources have resulted in slow progress with this agreed action however the information already gathered will be shared with the working group at its next meeting, and collection of the information should be complete by the end of year.

A register of communications between the Council and the Environment Agency has now been established. It is planned to fully determine the scope of the register by October 2005, particularly in relation to meeting Freedom of Information requirements.

It has been confirmed with Information Services that electronic back-up procedures are carried out to save important data. Further assurance is to be sought by the end of July 2005 as to the robustness of procedures to restore data in the event of a system failure.

It was agreed following the original audit that the costs and benefits of educating the public, businesses etc. on contaminated land issues to promote responsible land ownership would be considered. Since the audit a guide for developers has been produced detailing the expected process for investors in contaminated land. This is still in draft and is to be agreed with Planning Section. There are currently no resources however to carry out any further work in relation to educating the public as all existing resources are engaged on statutory duties.

Standard forms to transfer information between Services have not yet been prepared again due to a lack of resources. The Contaminated Land Officer intends to have the forms developed in time for the next working group, scheduled for October. Once the forms have been developed and an incident reporting system agreed, education of the new procedures will be through the working group and the forms will be published on the intranet.

Job: 03/0538 - Contaminated Land**Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

Resource requirements will be reviewed annually and reports will be fed into the budget process as appropriate.

[006342](#)**Agreed action is in the process of being implemented:**

Procedures to deal with environmental information requests will be reviewed, through the Contaminated Land Working Group and liaison with the Information Management Officer, with a view to developing a corporate consistent approach ensuring responses are based on complete, accurate and up to date information.

[006379](#)

Subject to the corporate availability of the GIS the Contaminated Land Officer will seek to ensure all information and knowledge within the Authority relating to contaminated land is effectively collated and shared.

[006362](#)

Services will be made aware of legislation, policies, best practice and guidance through the Contaminated Land Working Group and consultation process for the Environmental Protection Strategy. Services will be encouraged to develop procedures through the Working Group, revision of the work programme and development of protocols.

[006356](#)

The work programme within the Contaminated Land Strategy is to be revised and will clearly document actions required with target dates and officers responsible for delivery, taking into account resources required, and available, to ensure targets set are realistic.

[006341](#)

Health and Strategic Housing will seek to work with both Planning and Building Control functions to jointly document procedures for dealing with land contamination ensuring:

- responsibilities are clear;
- all contaminated land issues are addressed;
- consultation is appropriate and timely;
- the most appropriate legislation is invoked as necessary;
- staff resources are rationalised and used cost-effectively;
- information is shared as required; and
- provisions are in place to review procedures regularly and update them following changes in legislation.

[006338](#)**Agreed action has been partially implemented:**

A register of information to and from the Environment Agency will be maintained, the scope of the register to be documented.

[006380](#)

Job: 03/0538 - Contaminated Land

The costs and benefits of educating the public, businesses etc. on contaminated land issues to promote responsible land ownership will be considered.

[006370](#)

Formal confirmation on the adequacy of back-up procedures will be sought.

[006369](#)

A Contaminated Land Working Group is to be formed with clear aims and objectives from the outset ensuring resources are used effectively. Relevant Services will be encouraged to send appropriate representation to aid the decision-making process.

[006354](#)**Agreed action is still to be implemented:**

The Contaminated Land Officer will identify areas of potential concern relating to the Authority's responsibilities and liabilities as landowner. Health and Strategic Housing are to engage a consultant for an expert second opinion on options and implications with a view to presenting a report to Members for a decision on the way forward.

[006376](#)

Standard forms will be developed through the Contaminated Land Working Group. An incident reporting system will be developed across Services and systems integration issues will be addressed.

[006367](#)

Derek Whiteway

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Community Services)
 Head of Health and Strategic Housing
 Team Leader/Senior Environmental Health Officer
 Contaminated Land Officer
 Development Control Manager
 Forward Planning Manager
 Building Control Manager
 Head of Property Services
 Principal Valuer
 Head of Financial Services
 Members of Audit Committee
 Audit Manager (District Audit)

Internal Audit - Follow Up Summary Report

Job: 03/0510 - Economic Development - Marketing and Promotion

Date of Final Report: 10 November 2004

Agreed By: Head of Economic Development and Tourism

Date of Follow-Up: 19 August 2005

Overall Opinion on Follow Up:

Eleven of the eighteen agreed actions resulting from the original review have been fully implemented and progress has been made on all but one of the remainder. The action outstanding relates to the production of the Service's Marketing Plan which has been delayed awaiting the outcome of an Economic Development Zone (EDZ) funding application approved by Cabinet on 24th May 2005. If successful additional funding of £62,500 will be available towards a planned marketing budget for 2005-2007 of £55,000 per annum.

The bid for EDZ funding clearly demonstrates the Council's commitment to the promotion of employment opportunities and inward investment. An EDZ marketing strategy is to be produced before a marketing plan is developed for the remaining budget, a copy of which is to go to the Corporate Communications Team for comment/information, and to ensure there is to be no duplication of work within the Council. The Corporate library maintained by the Communications Team includes a full suite of the Service's marketing literature.

In order to improve the identification of target markets the Service is visiting other authorities, including EDZ authorities, to establish best practice and the engagement of an external marketing campaign is being built into the overall proposal for an EDZ marketing programme, a procurement exercise to determine the successful party.

The marketing budget is well managed by the Marketing Officer. The original audit found the Service works effectively to maximise the impact of campaigns aimed at raising the profile of economic development and regeneration in the area, seeking low cost marketing media with high impact. The challenge was to develop performance monitoring which could effectively inform future activity. A web based Client Management System has been implemented enabling more effective monitoring of the impact of marketing activity and the first marketing report was produced on 17th May 2005. Reports are due to be run on a six-monthly basis and results will inform the revised marketing strategy. Recognition of scope to strengthen control in respect of assigning responsibilities is also to be addressed in the new strategy.

The Service is continuing to seek the development of a collection of comparative data in order to compare the effectiveness of marketing and promotional activity with other authorities through the Ipswich Benchmarking Group. The Service leads the Group of eight authorities currently piloting a set of national key indicators for Economic Regeneration which, when finalised later in the year, will form the basis for benchmarking performance. It is recognised the national indicators do not include any specific to marketing and more is to be done to develop these.

The Service's arrangements with two partnerships, the Lancashire West Partnership (LWP) and Lancashire Film and Television Office (LFTO), were reviewed during the original audit and scope to improve management through more formal arrangements was recognised. A SLA was in place with the LWP at the time but the LWP has since merged with the East Lancashire Partnership to form the Lancashire Economic Partnership. The Authority's contribution in respect of marketing to the new partnership remains at £5,000 but this has yet to be paid, the Service waiting for more information on what it is contributing to and hoping for a marketing plan. Ultimately the Service will be seeking a SLA with the new partnership. A SLA with North

Job: 03/0510 - Economic Development - Marketing and Promotion

West Vision in respect of services provided through the LFTO has been introduced and a monitoring report based on the targets within the SLA was produced at the end of March. The results are informing the SLA being drafted for the current year.

The need to keep the relevant section of the Council's website up to date is recognised by the Service and responsibility has been assigned to the Marketing Officer who is due to receive training on the new website. In the meantime the Officer is providing the material for another officer to update the site. In respect of the new Client Management System, relevant officers are considered appropriately trained and further training is to be provided to the Service following the imminent upgrade. The System's fields relating to the source of enquiry is completed as far as possible to enable effective management reporting.

Work is ongoing in respect of updating the business directory. The latest directory was published in May 2005 and a questionnaire was included in the distribution seeking feedback on usefulness, format etc. Feedback is to inform the update process, procedures to be formalised and responsibilities for update to be formally allocated.

An agreed action relating to access to contacts, networks and sources of information has been implemented through changing system access permissions.

Implementation of Agreed Actions - Detail**Ref****Agreed action has been fully implemented:**

To ensure that the marketing and promotions budget can be properly managed staff concerned will be made aware of the need to liaise with the responsible officer regarding any items of expenditure coded to it.

[006524](#)

To ensure that commitments by the Service to contribute ongoing funding is properly supported by a formalised agreement, Service Level Agreements will be put in place for the local Lancashire West Partnership and the Lancashire Film and Television Office

[006595](#)

The new client management software will be implemented and six monthly reports will be produced thereafter to enable more effective monitoring of the impact of marketing activity.

[006321](#)

A marketing strategy has been developed which is clearly linked to the Council's corporate aims and objectives.

[006322](#)

Responsibility for reviewing and monitoring the marketing plan has been clearly defined and documented in the marketing strategy.

[006553](#)

A report will be presented to the Economic Development Zone officer working group highlighting the need for Economic Development Zone marketing to clearly demonstrate the Council's commitment to the promotion of employment opportunities and inward investment.

[008358](#)

Job: 03/0510 - Economic Development - Marketing and Promotion

The relevant field will be incorporated into the Content Management System inward pilot software ensuring that the source of an enquiry must be recorded. Completion of all fields will also be made an integral part of the software training.

[006522](#)

All publications, except journal or magazine adverts, will be passed to the Council's Communication Section for verification.

[006528](#)

To avoid any duplication, and to support the development of the corporate library, a copy of the Service Marketing Plan will be passed to the Communications Team each year for comment/information.

[006535](#)

Consideration will be given to whether it would be more beneficial to centralise the records held of contacts, networks and sources of information ensuring that officers have appropriate access to all data held at the next Economic Development Team Leaders meeting.

[006336](#)

Full training will be provided in the use of the Client Management System to ensure that all staff are confident in using the new software and are able to make good use of all the facilities available.

[006392](#)**Agreed action is in the process of being implemented:**

To ensure efficient use of scarce resources the effectiveness of previous years marketing activity will be evaluated as part of the annual updating of the marketing strategy.

[007022](#)

In order to effectively demonstrate that Corporate aims and objectives are being achieved through membership of partnerships targets will be set for the Lancashire Film and Television Office to measure their performance. Through membership of the Lancashire West Partnership Inward Investment Group officers will seek to obtain performance monitoring information in order to review the partnership's performance. Results will be reported in regular meetings held with the Cabinet member with special responsibility for Regeneration and Economic Development issues.

[006602](#)

The Marketing Officer will receive up to date training following the forthcoming redesign of the Council website.

[006545](#)

Officers will continue to take part in the Ipswich Benchmarking Group and seek to develop the collection of comparative data in order to compare the effectiveness of marketing and promotional activity with other Authorities.

[006554](#)

Responsibility for maintaining and keeping information included on the Council's website up to date will be defined in the marketing plan.

[008359](#)

Job: 03/0510 - Economic Development - Marketing and Promotion



A review of the business directory publication and database will be completed to include formalising procedures and responsibilities for keeping information up to date.

[006408](#)



Further Best Practice visits be made to improve identification of target markets and subject to budgetary allocations the engagement of an external marketing campaign will be considered.

[006527](#)

Derek Whiteway

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Regeneration)
Head of Economic Development and Tourism
Head of Financial Services
Principal Economic Development Officer
Marketing Officer
Members of Audit Committee
Audit Manager (District Audit)

Internal Audit - Follow Up Summary Report

Job: 04/0567 - Planning

Date of Final Report: 13 April 2005

Agreed By: Head of Planning and Building Control

Date of Follow-Up: 21 November 2005

Overall Opinion on Follow Up:

A follow-up review has been carried out to determine progress made in implementing the action agreed following the original audit completed in April 2005.

The original audit concluded that the Planning and Building Control Service were actively embracing the challenges of the Government's planning modernisation agenda, and that hard work and good management had resulted in the award of a Planning Delivery Grant. It was also reported that staff levels in the Service were unlikely to sustain the improved performance in determining planning applications and there were resource issues in connection with meeting the demands of the new planning regime. Consequently, it was agreed that the Service would continue to seek the additional resources required to successfully implement the Local Development Framework and upgrade service provision in accordance with the Government's agenda for modernising planning.

In May this year it was agreed by Cabinet Members that the 2005 Planning Delivery Grant allocation, and additional income from the rise in planning fees, should be invested to enable the Planning and Building Control Service to correct the imbalance between staff resources and workload. This measure should secure lasting improvements and maintain a high level of performance whilst also responding to the challenges of the national planning agenda.

Implementation of Agreed Actions - Detail

Ref

Agreed action has been fully implemented:



The Service will continue to seek the additional resources required to successfully implement the Local Development Framework and upgrade service provision in accordance with the Government's agenda for modernising planning.

[008850](#)

Derek Whiteway

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Regeneration)
Head of Planning and Building Control
Head of Financial Services
Members of Audit Committee
Audit Manager (District Audit)

Internal Audit - Follow Up Summary Report

Job: 04/0560 - Software Licensing

Date of Final Report: 29 September 2004

Agreed By: Operations Manager

Date of Follow-Up: 23 December 2005

Overall Opinion on Follow Up:

The original review finalised in September 2004 resulted in six agreed actions aimed at demonstrating how the Authority is working towards compliance with software legislation. Good progress has been made in implementing the agreed actions with three having now been fully implemented, two are in the process of being implemented and one has been partially implemented.

Recently issued guidance, the officers' Protocol for Information Management , amalgamates corporate policy for software. All users have been given 30 days to sign up to compliance else their systems access will be revoked and all new system users will be required to sign up to the protocol prior to being given a system password.

A list of software that employees may download from the Internet without prior permission has been made available on the Intranet, clearly stipulating that any other download needs prior permission from Information Services (IS).

The Service has purchased a new system called OCS Inventory and progress is being made in carrying out full software audits and performing accurate reconciliations against the software license database. The service is also strengthening controls over software copies in order to ensure that the number and whereabouts of copied software is known. All physical copies of software are to be re-called in order to compile a comprehensive software register. Most software used by IS is now run directly from a secure area on the network, access permissions for which are to be strengthened.

Procedures for software purchasing are in place and are to be formally documented and made available to all appropriate IS staff.

Implementation of Agreed Actions - Detail

Ref

Agreed action has been fully implemented:



The revised Corporate Policy on the Use of PC Software will make clear the rules relating to third parties (e.g. consultants) loading software onto LCC machines.

[008063](#)



Once the Corporate Policy on the Use of PC Software is revised it will be issued with the E-mail & Internet Policy & Information Security Policy to all staff who will be required to sign up to compliance. IS will ensure that all new starters sign up to compliance with corporate IT policies prior to systems access being granted.

[008036](#)

Job: 04/0560 - Software Licensing

A list of software which employees may download from the Internet without permission will be posted on the Intranet thus making it clear that all other downloads need prior approval.

[008101](#)**Agreed action is in the process of being implemented:**

Controls relating to the copying of software by IS for use by systems support are to be improved to ensure that the number and whereabouts of copies is known at all times.

[008066](#)

IS are working towards full software audits through the Track-It system and regular reconciliations of the information produced against the license database. It is hoped that monthly reports of changes can be developed to speed up the reconciliation process.

[008041](#)

Controls over returning replaced PCs to IS are to be strengthened to ensure that they are not subsequently brought back into use without the knowledge of IS.

Agreed action has been partially implemented:

Corporate policy on the use of PC software is to be revised and rationalised in one document. IS are to be responsible for all software purchases and installations, thus enabling the maintenance of a comprehensive and up to date license database, and consideration is to be given to who should authorise such purchases, Information Custodians possibly being more appropriate than Service Heads (responsible per current policy). IS are also to be responsible for the custody of software & licenses, a definitive software library to be maintained per best practice (IT Infrastructure Library & BS15000). Documented procedures for software purchasing will be available to appropriate staff within IS.

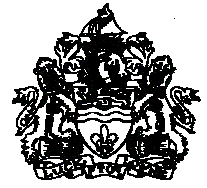
[008032](#)

Derek Whiteway

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)
 Head of Information Services
 Operations Manager
 Head of Financial Services
 Members of Audit Committee
 Audit Manager (District Audit)

LANCASTER
CITY COUNCIL



Internal Audit Report

Poulton Area Renewal - Property Issues

Final Report

Audit Ref: 04/0563

Internal Audit Manager: Derek Whiteway CPFA

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 - B. Terraced Property Prices (Market Trend)
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1 Introduction

1.1 Background

1.1.1 On 19 July 2004, the Head of Health and Strategic Housing asked me to undertake an investigation into concerns that had been raised concerning the Council's handling of property acquisitions and grants in the Poulton Renewal Area.

1.1.2 The concerns were submitted in a typed statement which was essentially based on information, opinions and documents supplied by a number of individuals who had either an ongoing or previous interest in properties or businesses in the area.

1.2 Nature of the Concerns

1.2.1 The concerns raised were expressed in the form of a number of questions, as follows:

- a) Who selects properties for purchase?; who approves the purchase?; and who evaluates the reason for the purchase?
- b) Who negotiates the purchase with the vendor on behalf of the Council?
- c) Who determines that the purpose of the purchase may justify a CPO?
- d) How does the Council monitor that it does not misrepresent the situation to owners?
- e) What are the protocols for dealing with owners prior to and during a negotiation for a property purchase?
- f) Are potential vendors advised in writing to take independent valuation advice / legal advice / financial advice?
- g) How are vulnerable owners protected in their property dealings with the Council?
- h) What are the terms of reference for the Poulton Neighbourhood Management Board and its working groups (such as the Housing & Built Environment Sub-Group) that are involved with property decisions in Poulton and the West End of Morecambe?
- i) What are the protocols for offering/awarding property improvement grants for privately owned homes or other privately owned buildings used for social or business purposes?
- j) How is the interrelationship between grants to, and purchases from, private owners monitored?

1.3 Approach

1.3.1 In investigating the issues raised, I interviewed a number of property owners/interested parties about their experiences as well as various officers of the Council and Poulton Neighbourhood Management. I also spoke to representatives of other bodies who acted as agents for, or had otherwise been involved in dealings with the Council.

1.3.2 For documentary evidence, I have referred to files maintained by Strategic Housing and by Legal Services and to the minuted records of the Poulton Neighbourhood Management Board and other formal working groups.

2 Findings

2.1 Chronology of the Poulton Home Zone

2.1.1 The majority of the questions raised (items a) to h) of § 1.2.1) concern property acquisitions pursued by the Council in connection with the development of the Poulton Home Zone. The following properties have featured in the Council's plans to support the Home Zone scheme:

- The Ex-Servicemen's Club, Morecambe Street
- The Astra Ballroom, Green Street
- Number 35/37 Green Street (Furey's Warehouse)
- Numbers 54-66 Green Street (residential terrace)
- Number 1 Back Green Street (Alpha Cottage)

2.2 Questions Raised

2.2.1 The questions set out in § 1.2.1 are covered in sequence.

- a) ***Who selects properties for purchase?; who approves the purchase?; and who evaluates the reason for the purchase?***
- i) In the case of the Home Zone development, potential sites for acquisition were identified by a consultation report produced in February 2003. Consultees had been asked to comment on whether there were any specific buildings they would like to see removed. The most frequently quoted properties were those on Green Street (by nine consultees). The Astra Ballroom was quoted by three consultees. No one consulted suggested the Ex-Servicemen's Club as a site for demolition and the consultants' report indicated that demolition of the Club was included as an option at the request of the Council's officers.
- ii) On 9 January 2003, Poulton Neighbourhood Management Board resolved that Strategic Housing should proceed to purchase the terrace of seven houses on Green Street, 35/37 Green Street (Furey's Warehouse) and 1 Back Green Street (Alpha Cottage).
- iii) On 4 March 2003 Cabinet approved the purchase and demolition of these properties.

Observations:

The progression of these proposals through the Poulton Neighbourhood Management Board, to approval by the Cabinet are constitutionally sound.

Officers have indicated that, notwithstanding the outcome of the Home Zone consultation, plans had been in place for some time to purchase and demolish numbers 54 to 66 Green Street in support of the regeneration programme in Poulton. Grants had not been available for improvement of these properties as they were not owner-occupied and they had structural defects.

In terms of the Home Zone, the Astra Ballroom and the Ex-Servicemen's Club were regarded as "opportunity sites", having been identified as options to the main plan produced by the consultants. Whilst discussions about them selling to the Council had been held before publication of the consultants' report, the need to acquire such opportunity sites was heightened by the subsequent decision not to proceed with the demolition of 54-66 Green Street.

From June 2003 onwards, Poulton Neighbourhood Management Board and the Housing & Built Environment Sub Group considered the possibility of selling numbers 54-66 Green Street to a housing association. These deliberations culminated in the Board supporting the sale and the proposal being approved by Cabinet on 24 February 2004.

In terms of these properties' importance to the Home Zone project, evaluation of prospective purchases was initially under the remit of the Home Zone Steering Group. Following the Council election in May 2003, this role was assumed by the newly established Housing & Built Environment Sub Group of the Poulton Neighbourhood Management Board.

b) ***Who negotiates the purchase with the vendor on behalf of the Council?***

- i) In the case of the Home Zone related purchases, a surveying firm was appointed to negotiate property purchases in Poulton on behalf of the Council. The appointment was made on 7 February 2003 following a quotations exercise involving two other local firms.
- ii) Under other circumstances, professional valuers employed within the Council's Property Services undertake this role. The decision to engage an external valuer was made by agreement between Strategic Housing and the Head of Property Services, partly because of the workload associated with the purchases and partly because the intention was to demolish the properties. The Council's own surveyors are normally involved in purchases where the Council is intending to retain a long term interest in the property.
- iii) The brief given to the surveyors was to enter into negotiations with owners to agree purchase prices, then pass the cases to the Council's Legal Section. In view of the limited budget available for the purchases, the role was also to ensure that the Council was acting fairly and that owners were treated fairly in relation to the condition of their property.

- iv) It is evident that, before the surveyors were engaged, Strategic Housing officers had made contact with potential vendors and in some instances, purchase prices had been discussed. Once they had been appointed, negotiations were handled by the surveyors, dealing with owners themselves and/or their own appointed agents.

Observations:

Whilst the surveyors' brief for agreeing purchase prices on these properties appears quite straightforward, I have not seen any documentation setting it out and there was a lack of clarity over the role and extent of authority of Strategic Housing officers to enter into negotiations.

Whilst it is necessary that Strategic Housing officers are involved in approaching potential vendors to assess whether they are willing to sell, their role should not extend to detailed negotiation on price unless these negotiations are supported by formal professional valuation. This is not, however, set out in any procedure or code of practice relating to Strategic Housing officers' work.

A concern raised by a number of vendors regarding their dealings with the Council has been the lack of written confirmation of discussions and proposals. This is an element of Strategic Housing's operation which needs to be improved in order to provide assurance and continuity to their customers.

Agreed Actions:

1. *Strategic Housing will establish a procedure for property purchase negotiations, which sets out the relative roles and responsibilities of Strategic Housing officers and of appointed valuers (whether Council staff or external firm)*
2. *Briefs agreed with Council-appointed valuers will be documented*
3. *Comprehensive file notes are to be maintained of any substantive discussions held with potential vendors, accompanied with a follow-up letter where necessary.*
4. *All substantive negotiations with potential vendors will be followed up with formal written confirmation of the negotiations.*

c) **Who determines that the purpose of the purchase may justify a CPO?**

- i) As with proposals to purchase property, the Housing & Built Environment Sub Group and the Poulton Neighbourhood Management Board consider and form views on the appropriateness of compulsory purchase. Approval for pursuing compulsory purchase would be sought from Cabinet.
- ii) In the case of the properties connected with the Home Zone, the Housing & Built Environment Sub Group and Poulton Neighbourhood Management Board's minutes show that they considered compulsory purchase in relation to the Ex-Servicemen's Club and the Astra

Ballroom. In the case of the Ex-Servicemen's Club there was never any indication of supporting compulsory purchase. There was, however, consistently strong support, over the period between August 2003 and May 2004 for compulsory purchase of the Astra Ballroom. As already mentioned, attention became more focussed on the Astra Ballroom when negotiations with the Ex-Servicemen's Club failed in July 2003. Considerations of compulsory purchase had been tempered (but not ruled out) by the fact that the timescale involved would certainly extend beyond the completion deadline for the Home Zone itself (March 2005).

- iii) The report to Cabinet on 25 May 2004 had recommended that the Head of Property Services be given delegated authority to agree terms for the acquisition of the Astra Ballroom. The report mentioned that the Poulton Neighbourhood Management Board supported the purchase, either by agreement or compulsorily. It was prior to this meeting that a public demonstration was staged by supporters of the Astra Ballroom and Cabinet resolved, inter alia, that it was not minded to compulsorily purchase the property.

Observations:

The potential for the Council to pursue Compulsory Purchase is clearly an emotive subject for affected property owners and for other residents. The only instance in which compulsory purchase actually became a practical consideration for the Poulton Neighbourhood Management Board was in relation to the Astra Ballroom. In this case, Cabinet resolved that it was not minded to use compulsory purchase powers.

In other property purchases, which were completed voluntarily, owners (and the community through the Poulton Residents' Association) have referred to a perception that properties would be (or had been) purchased compulsorily. In some instances, owners expressed a feeling that this perception had effectively left them with little option but to sell to the Council.

The fact that these powers are available to the Council and could be used in appropriate circumstances cannot be denied, but it must be incumbent on the Council's officers and agents to ensure that owners and other stakeholders are clearly and fully informed of the status of negotiations, the position and procedures regarding compulsory purchase and of their individual rights.

Agreed Actions:

5. *Procedures for handling property purchases will include details on communicating and applying the Council's statutory position and procedures regarding compulsory purchase powers.*
6. *That in negotiations deemed to be of a "sensitive" nature, consideration will be given to two officers attending meetings with potential vendors.*

d) **How does the Council monitor that it does not misrepresent the situation to owners?**

- i) The Housing & Built Environment Sub Group and to a lesser extent the Poulton Neighbourhood Management Board and the Home Zone Working Group all monitored progress with potential acquisitions. The Strategic Housing Manager used these meetings as his main means of monitoring his officers' work in relation to possible purchases.
- ii) As with any other aspect of the Council's operations, the complaints procedure exists to provide customers with a means of expressing dissatisfaction with the service given.

Observations:

The manner in which information regarding the Council's position is represented to owners is essentially one of professional conduct. The establishment of a formal procedure for handling property negotiations (see Agreed Action 1) will provide an important standard to minimise the risk of misrepresentation. Requiring two officers to attend meetings in particularly sensitive negotiations (see Agreed Action 6) could provide a further level of assurance.

Agreed Action:

7. *The Strategic Housing Manager is to explore ways of improving quality assurance in these areas, including file reviews of letters, and file notes and through consideration of measures such as customer care questionnaires.*

e) **What are the protocols for dealing with owners prior to and during a negotiation for a property purchase?**

- i) No formal protocols have been established by either Strategic Housing or Property Services covering their negotiations with owners.

Observations:

The relationship and interaction between officers and owners is essentially treated as a matter of professional conduct. To that extent, expectations as set out by the Council's own Code of Conduct for Officers and by officers' professional bodies will apply.

The Royal Institute of Chartered Surveyors (RICS) does not itself set out protocols for such dealings. The Head of Property Services advised me that this reflects the great variety of circumstances encountered in property dealings, requiring a flexibility and sensitivity to circumstances on the part of surveyors.

A significant consideration has to be the extent to which owners have access to independent professional advice, there being a greater onus on officers to explain processes to owners if they deal directly with them as opposed to professional agents acting on their behalf.

Observations (contd)

A common feature amongst the concerns raised by property owners within Poulton was that there was insufficient written confirmation of negotiations, especially in the initial stages of negotiation being handled by Strategic Housing. This is a concern that needs to be considered, though care needs to be exercised to ensure that it does not detract from the essentially verbal and face-to-face nature of such negotiations and the role of professionals acting on behalf of the Council.

Agreed Actions

See Agreed Actions 1, 3, 4, 5 & 6

- f) **Are potential vendors advised in writing to take independent valuation advice / legal advice / financial advice?; and**
- g) **How are vulnerable owners protected in their property dealings with the Council?**
 - i) It has not been standard practice that potential vendors are advised in writing to take independent professional advice.

Observations:

My investigations found evidence from owners, officers and the Council's agents that potential vendors had been advised (though not in writing) to take independent professional advice. Two owners, however, stated that they had received no such advice. In other cases, owners said that they had been advised to obtain independent advice, but had felt they would be wasting their money. In all cases, owners engaged solicitors to deal with the conveyancing.

On 21 June 2005, Cabinet resolved to delegate authority to the Corporate Director(Regeneration) to approve the payment of reasonable legal, surveying and disturbance costs in relation to securing the Winning Back The West End Masterplan. This delegated authority was not in place at the time that the Poulton properties were being considered for purchase.

Overall, the picture is inconsistent in terms of how, by whom and at what stage in proceedings such advice is given. There is scope for strengthening this aspect of property negotiations.

In relation to the Poulton properties, owners sold their properties voluntarily to the Council to the extent that the compulsory purchase route was not used.

Some owners did express concern that they felt that compulsory purchase would occur if they did not agree to sell. On the other hand, I have been provided with some evidence of owners being advised in writing that they were under no compulsion to sell.

Observations (contd)

Again, the picture is inconsistent. It has to be recognised that, during voluntary negotiations, owners do have the option to withdraw. The main source of protection for owners felt to be vulnerable during negotiations has to be the taking of independent advice, as considered above.

Another possible scenario is that owners might feel vulnerable subsequent to the transaction. It is understandable that, considering the circumstances of the Council's sale of numbers 54 to 66 Green Street to a housing association, at a significantly increased valuation, the former owners would feel that they may have been vulnerable. This certainly seems to be the case, based on the evidence provided by a number of former owners, who used phrases such as "cheated" and "ripped off". One former owner expressed the opinion that, had the properties been demolished after they had sold them, they would have thought no more about it. They felt that what actually happened indicated that their property was worth much more than they had received.

My analysis of the Council's purchase and subsequent sale of the Green Street properties is included in § 2.3.1. The question here is whether and how the Council should have consulted or communicated with former owners about the change in plans. The Home Zone Working Group in October 2003 referred to plans to consult with residents on the proposed purchase and removal of the Astra Ballroom and the retention of the Green Street properties. To my knowledge, this consultation never took place.

Agreed Actions

8. *Procedures for property negotiations are to include a requirement that owners are formally advised in writing at an early stage to obtain their own independent legal and surveying advice regarding the sale.*

- h) ***What are the terms of reference for the Poulton Neighbourhood Management Board and its working groups (such as the Housing & Built Environment Sub-Group) that are involved with property decisions in Poulton and the West End of Morecambe?***
- i) The terms of reference of the Poulton Neighbourhood Management Board are attached as Appendix A. The Housing & Built Environment Sub Group does not have formally established terms of reference, its workload being delegated from the Management Board. The Sub-Group reports and makes recommendations to the Management Board and does not itself have decision making powers.

Observations:

A question has been raised as to the ethics surrounding the position whereby City Council officers are able to vote on proposals considered by the Poulton Neighbourhood Management Board.

Observations (contd)

Under the Board's constitution, two public sector officials are elected to represent the public sector's views in relation to a wide range of community matters, and are thereby able to vote on proposals which come under the remit of the Board. These officials are not, however, entitled to vote on matters which involve the Poulton Neighbourhood Management Board recommending action by their own employing organisation or other public sector body.

- i) ***What are the protocols for offering/awarding property improvement grants for privately owned homes or other privately owned buildings used for social or business purposes?***
 - i) All grants are subject to the Private Sector Housing Renewal Policy and in Poulton, areas to be targeted for grant support are approved by the Poulton Neighbourhood Management Board.
- j) ***How is the interrelationship between grants to, and purchases from, private owners monitored?***
 - i) In Poulton, the agreement of a grant strategy means that grant monies are not being put into areas where alternative use is being considered. In the West End of Morecambe, the West End Masterplan sets out the strategy for grant support.
 - ii) Where grants are provided, grant conditions are registered as land charges and will therefore be apparent should the Council enter into negotiations to purchase a property on which a grant has previously been issued.

2.3 Other Issues Arising From The Investigation

2.3.1 Property Valuations

- a) A major source of concern to former property owners and other parties has been the Council's purchase of seven houses on Green Street (numbers 54 to 66) and their subsequent sale onwards to a housing association for renovation.
- b) The properties were purchased over the period from 31 March 2003 to 27 August 2003 on the basis that they were to be demolished in line with Home Zone plans. The total price paid by the Council for these seven properties was £185,000.
- c) During June 2003, at the instigation of the Strategic Housing Manager, discussions began with a housing association to consider the possibility of them purchasing the properties for renovation and conversion to shared ownership.
- d) Deliberations regarding the development of the Home Zone and the future of this terrace culminated in Cabinet agreeing to them being sold to a Housing Association. The sale price, following revaluation was agreed at £280,000. Overall, this represented an uplift in valuation of 51% over the period.
- e) Attached as Appendix B is a graphical representation of average terraced property prices movements, obtained from the Land Registry website. This shows the movement of average terraced property prices over the period within the Poulton area, within the Lancaster postcode area, and within the North-West region. It demonstrates an increase in terraced property prices in the Poulton area between March 2003 and March 2004 of 74% (from £40,064 to £69,633), a trend which mirrors that for the Lancaster area as a whole.

Observations:

It is understandable that, having become aware of the uplift in valuation, the former owners of these Green Street properties should feel aggrieved and concerned that they might have been misled in the Council's purchase of their properties.

I have found no evidence of any knowing or deliberate act to mislead owners over the Council's intentions regarding these properties.

In negotiating the sale of the properties to the Housing Association, the priority for Strategic Housing officers was the feasibility of the proposed scheme, and they had anticipated selling the properties at the acquisition price. Advice on the matter given by Financial Services was, rightly, that the Council was under a duty to ensure it received best consideration for them, hence the revaluation requested in February 2004.

The Council's appointed surveyors provided the new certificates of valuation in February 2004.

Agreed Actions:

9. *The Corporate Director(Community Services) has written to property owners who were involved in the investigation thanking them for their contribution and providing a statement regarding the Council's position on the concerns they raised.*

2.3.2 **Project and Programme Management**

- a) Over the past five years, Poulton has been the focus of a number of regeneration initiatives, including the declaration of the Renewal Area, the establishment of Neighbourhood Management, the Home Zone and the Townscape Heritage Initiative.
- b) These initiatives and projects have been administered and supported by a number of bodies, such as the Poulton Neighbourhood Management Board (and the Housing & Built Environment Sub Group), and the Home Zone Steering and Working Groups. The Poulton Neighbourhood Management Board coordinates the development of policy and initiatives in the area. It is not within the remit of this report to evaluate or criticise the operation of any of these bodies or the role of any of the individuals involved in them. Neither is it within the remit to comment on the effectiveness of the projects or initiatives.
- c) Notwithstanding this, my investigations have identified areas in which the various objectives of these projects and initiatives appear to have come into conflict, contributing in part to a number of the concerns raised. The nature of the various programmes and initiatives are such that different Council Services have taken a lead. The Renewal Programme itself is led by Strategic Housing, the Home Zone (essentially a highways scheme) was led by Engineering Services, and the Townscape Heritage Initiative is led by the Planning Service.
- d) It is my view that, once embarked upon, the cross-cutting nature of these projects has been appropriately recognised and reflected in the membership of the various bodies. In such a complex area it is perhaps inevitable that some conflict will arise between the various scheme objectives and these eventualities have to be managed. There is some evidence of conflict arising between the objectives of the various programmes in Poulton. Sound project and programme management skills are necessary to respond effectively to such eventualities and this is an area that the Council should seek to improve its capacity.
- e) Regarding the Home Zone, the bidding process provided little opportunity for the Council to consult with the community prior to applying for funding for the project. It is acknowledged that, in practice, the time-limited availability of funding often places pressure on this aspect of authorities' project planning and management activities.

- f) It has to be said that there was a poor level of response to consultation carried out by the Council's consultants for the Home Zone. The reasons for this are not fully apparent, but the consultants reported a view that the lack of prior consultation may have contributed to there being little "buy-in" from residents and a reluctance to engage in the process.
- g) Having said this, it should be acknowledged that, following the successful completion of the Home Zone construction contract, the project has been held as an example of good practice and local perception of the resultant scheme appears to have been much improved.

Observations:

Developments in both Corporate and Service business planning in the past two years have certainly helped provide greater focus on Council priorities and this in turn should help ensure more effective coordination of effort in large scale programmes and projects. This ties in with one of the key messages arising from the Audit Commission's inspection of the Regeneration and Jobs Best Value Review, that the Council needs to make time from day-to-day project administration to do more strategic thinking about regeneration and how to make it sustainable in the long-term. It is vital that the Council continues to develop its consultation strategies and skills to ensure the effectiveness of such programmes.

Agreed Actions:

- 10. *The Council is seeking to corporately develop its project and programme management procedures, capacity and skills in a number of ways, including a current Internal Audit review of project management arrangements in the Authority.*

3 Summary of Agreed Actions

1. *Strategic Housing will establish a procedure for property purchase negotiations, which sets out the relative roles and responsibilities of Strategic Housing officers and of appointed valuers (whether Council staff or external firm)*
2. *Briefs agreed with Council-appointed valuers will be documented.*
3. *Comprehensive file notes are to be maintained of any substantive discussions held with potential vendors, accompanied with a follow-up letter where necessary.*
4. *All substantive negotiations with potential vendors will be followed up with formal written confirmation of the negotiations.*
5. *Procedures for handling property purchases will include details on communicating and applying the Council's statutory position and procedures regarding compulsory purchase powers.*
6. *That in appropriate circumstances, consideration will be given to two officers attending meetings with potential vendors.*
7. *The Strategic Housing Manager is to explore ways of improving quality assurance in these areas, including file reviews of letters, and file notes and through consideration of measures such as customer care questionnaires.*
8. *Procedures for property negotiations are to include a requirement that owners are formally advised in writing at an early stage to obtain their own independent legal and surveying advice regarding the sale.*
9. *The Corporate Director(Community Services) has written to property owners who were involved in the investigation thanking them for their contribution and providing a statement regarding the Council's position on the concerns they raised.*
10. *The Council is seeking to corporately develop its project and programme management procedures, capacity and skills in a number of ways, including a current Internal Audit review of project management arrangements in the Authority.*



Poulton Neighbourhood Management Partnership Constitution and Memorandum of Agreement

1. INTRODUCTION

This document sets out the Constitution for the Poulton Neighbourhood Management Partnership, and acts as the Memorandum of Agreement between the Partnership and Lancaster City Council, in their roles as Partnership Board and Accountable Body respectively, for the Poulton Neighbourhood Management Budget programme.

2. OVERALL PURPOSE OF THE PARTNERSHIP

To achieve successful implementation of the Neighbourhood Management programme in Poulton

3. MAIN RESPONSIBILITIES OF THE NEIGHBOURHOOD MANAGEMENT BOARD

In relation to the regeneration of Poulton: -

- Overseeing the implementation of the Neighbourhood Management programme.
- Ensuring the programme is kept under review and to roll it forward on an annual basis.
- Ensuring that effective consultation takes place with businesses, community, and mainstream service providers.
- Approval of annual Delivery Plans to be endorsed by Accountable Body
- Approval of Project Appraisals and allocation of Neighbourhood Management grant to projects.
- Ensuring that the whole programme is kept under review, and that any matters relevant to the successful implementation of the scheme, including links to other initiatives, are considered.
- Establishment of any additional Sub-Groups relevant to the successful implementation of the programme.
- Development of a forward strategy, and exit arrangements for the end of Neighbourhood Management support, ensuring sustainability of all relevant Neighbourhood Management sponsored projects and initiatives.
- Identifying who will take responsibility for continuing commitments, where appropriate, after Neighbourhood Management payments end.
- Budget responsibility delegated to Neighbourhood Manager, who is responsible for reporting financial monitoring to the Board as part of the overall programme review.
- Receive recommendations from Sub Groups and where appropriate instigate action.



Poulton Neighbourhood Management Partnership Constitution and Memorandum of Agreement

4. MEMBERSHIP

There will be a core membership of 16 members on the Partnership Board to deal with matters concerning the Poulton Neighbourhood Management programme: -

	Representation from	No Members
Community Representatives	Poulton Residents Association	4
	1 governor each from Morecambe Bay and Poulton le Sands Primary Schools	2
Public Sector Representatives	Public Sector Forum	2
	Elected Members of Accountable Body	3
	Lancashire County Council	1
Voluntary Sector	Poulton Community Centre and CVS	2
Business Sector	Chamber of Trade and Neighbourhood Council	2

5. NON-VOTING ADVISORS

The Partnership meetings may also be attended by co-opted non-voting technical advisors, as required.

6. STRUCTURE OF MEETINGS

Agendas for meetings will be circulated to all members 7 days beforehand. Items for inclusion and discussion at meetings must be received by the Committee Officer at least 14 days before the meeting. Items received after this date will be included at the discretion of the Committee Chairperson.

7. VOTING RIGHTS AT MEETINGS

- Each voting member will have ONE vote, in the event of decisions requiring a ballot.
- In the event of a tied vote, The Chairperson or, in their absence, the Vice Chairperson will have the casting/second vote.



Poulton Neighbourhood Management Partnership Constitution and Memorandum of Agreement

8. QUORUM

- A quorum for voting purposes is 5 voting members.
- A decision cannot be made unless 5 voting members are present.
- The meeting will be declared inquorate if after 15 minutes from the scheduled start time, 5 voting members are not present.
- In the case of a meeting being declared inquorate, items on the agenda requiring a decision will be deferred until the next meeting.

9. FREQUENCY OF MEETINGS

- The Partnership Board will meet on the first Thursday of each month starting at 6.00 p.m.
- Meetings will be held at 56-58 Euston Road, Morecambe, or at any suitable venue within Poulton as necessary.
- The Chairman of the Partnership Board may, whenever they think fit, convene additional meetings of the Partnership Board.

10. SUBSTITUTES

On appointment to the Board, each voting member will be entitled to nominate a single, named substitute to attend meetings in their place if unable to attend. The name of the Substitute must be notified to the Committee Officer in advance, following appointment.

11. ATTENDANCE AT MEETINGS

Voting members will be expected to attend regularly. Should any member (or substitute) miss more than 2 consecutive meetings without reasonable explanation, their organisation may be asked to nominate a replacement.

12. EXCLUSION OF PRESS AND PUBLIC

The meetings of the Partnership Board and its Sub Committees are normally closed to the press and public. If members of the public wish to attend the meeting, a written application should be made to the Chairperson, who shall have sole discretion on the request. (Although minutes and agendas will be freely available in the Neighbourhood Management offices)



Poulton Neighbourhood Management Partnership Constitution and Memorandum of Agreement

13. INTERESTS

Personal Interests of Partnership Board Members

In the consideration of any item at the Partnership Board meeting, all members should consider whether they have any personal or pecuniary interest in that matter. If so, they must declare that interest prior to discussion and leave the meeting during discussion thereof.

Interests of Organisations represented on the Partnership Board
When considering any item put forward at the Partnership Board which deals with the allocation of Neighbourhood Management funds, any voting member of the Partnership Board who represents an organisation that will potentially benefit from a proposed allocation of such funding should declare an interest before consideration of the item. That organisation shall still be allowed to take part in the discussion for purposes of explanation only.

14. GENERAL CONDUCT

General obligations

In addition to section 13 above, Board members must also have regard to the following general conduct issues :-

- A duty to promote equality by not discriminating unlawfully against any person
- Treat others with respect
- Do nothing that could compromise your impartiality to those who work for, or on behalf of the Board
- Must not disclose information given in confidence to Board members
- Conduct themselves in a manner that would not bring themselves or the Board into disrepute
- Must never use their capacity as a Board member to secure or convey an advantage or disadvantage to themselves or any other person
- In reaching decisions, must have regard to advice provided by the Board's officers



Poulton Neighbourhood Management Partnership Constitution and Memorandum of Agreement

15. PERSONS PRESIDING AT MEETINGS

Chairperson and Vice Chairperson

At the first meeting during the financial year (normally the April Meeting) of the Partnership Board, the voting members will elect a Chairperson and Vice Chairperson. The positions of Chairperson and Vice Chairperson will be reconsidered each year at this time.

In the absence of both the Chairperson and Vice Chairperson at any meeting, the Partnership Board shall appoint a Chairperson for that meeting only.

Management of the Partnership Board

The management of the Neighbourhood Management programme, and the principal advisor to the Partnership Board will be the Neighbourhood Manager. Other Neighbourhood Management and Public Sector Officers may attend to support the Partnership Board as appropriate.

Financial Control

The financial monitoring of the Neighbourhood Management Programme will be undertaken in conjunction with the Lancaster City Council Financial Services Section who may attend meetings as appropriate.

Committee Officer

The Committee Officer will be the Neighbourhood Management Finance and Administration Officer

16. DELEGATION TO CHAIRPERSON

The Partnership Board may delegate responsibility for approval of specified Neighbourhood Management projects to the Chairperson and Neighbourhood Manager where there is a need for urgency. Delegation of responsibility for approval of project appraisals by the Chairperson will normally only take place after the Partnership Board has considered a project outline and given an "in principle" approval. Should there be a conflict of interest with the Chairperson, the delegated authority will pass to the Vice Chairperson. All delegations will be formally recorded by the Neighbourhood Manager and reported back to the Board.



Poulton Neighbourhood Management Partnership Constitution and Memorandum of Agreement

17. THE ACCOUNTABLE BODY

Lancaster City Council will be the Accountable Body for the Neighbourhood Management Programme. The City Council's responsibilities in relation to the Neighbourhood Management programme will include: -

- Management of the Neighbourhood Management programme and liaison with Government Office for the North West
- Ensuring that the requirements set out in the offer letters and in the Neighbourhood Management Guidance Notes are met.
- Establishing and using effective management, monitoring and financial systems (including procurement) which meet all the requirements set out in the Neighbourhood Management Guidance Notes.
- Applying appropriate conditions to Neighbourhood Management expenditure on both Management and Administration costs and Leverage funding.
- Collection and collation of grant claims from Partner organisations.
- Issuing of annual grant offers in accordance with the agreed Delivery Plan.
- Ensuring that grant payments are made only on the basis of expenditure properly incurred and defrayed on projects that have been approved (by the Partnership Board and where appropriate Government Office for the North West).
- To implement systems which ensure regularity, propriety and value for money.
- Monitoring of Expenditure of Neighbourhood Management Grant and matching funding.
- Ensuring that at the end of each financial year, a final statement of expenditure on the approved scheme is prepared and then audited by the Accountable Body's external auditor.
- Monitoring regularly progress of output achievements and milestones, and keeping records of the same.
- Submission of quarterly claims for Neighbourhood Management grant to Government Office for the North West.
- To ensure that all projects claiming grant aid are the subject of a formal application and project appraisal, and that no grant is paid unless a project is approved and appraised.
- To prepare and monitor a register of assets acquired wholly or partly using Neighbourhood Management funding.
- Notifying Government Office for the North West of any financial irregularities suspected in the use of Neighbourhood Management grant and the actions proposed.
- Providing access and documents for ad hoc inspections and audits.



Poulton Neighbourhood Management Partnership
Constitution and Memorandum of Agreement

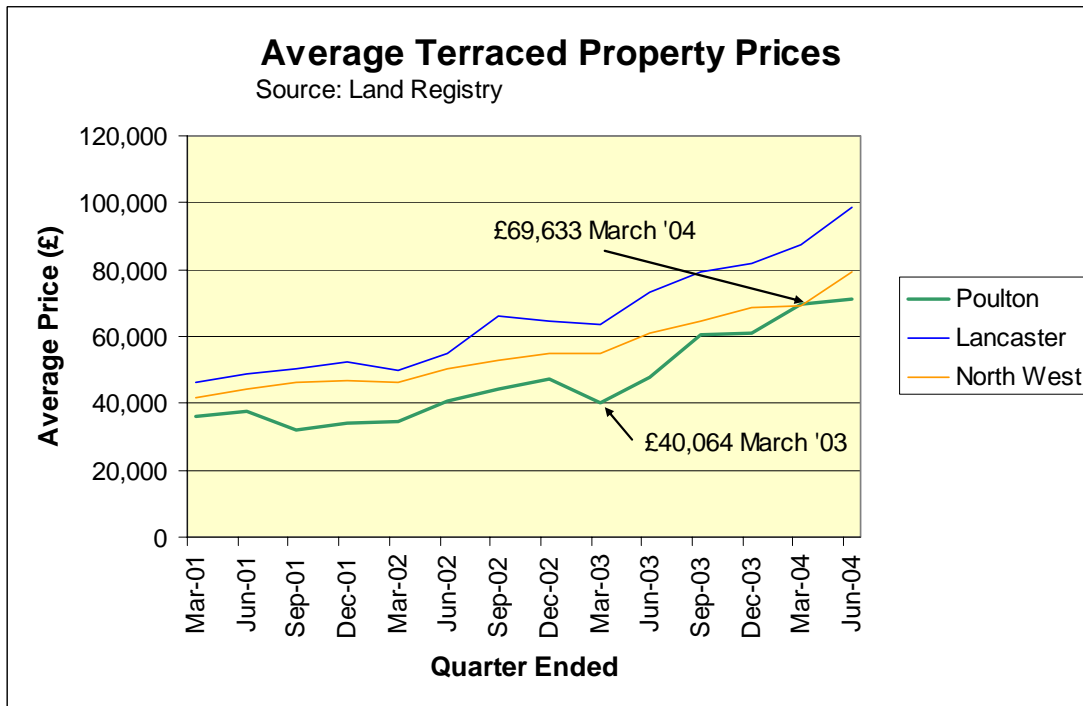
- Agreeing any changes in capital/revenue split originally agreed with Government Office for the North West.
- Notifying Government Office for the North West, of any income, profit or unexpected receipt in excess of the amount taken into account in determining the level of grant requirement which accrues from a project or scheme funded in whole or in part from Neighbourhood Management.

18. REVIEW AND REVISION

The Constitution and Memorandum of Agreement will be reviewed on an annual basis by the Board or at any such time that circumstances necessitate a revision.

Any proposed amendments must be sent to the Accountable Body's Monitoring Officer for comment prior to formal approval.

.....	Chairperson
.....	Dated
.....	John Donnellon Corporate Director (Regeneration) Lancaster City Council
.....	Dated
.....	Nadine Muschamp Head of Financial Services Lancaster City Council
.....	Dated



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Meeting of: AUDIT COMMITTEE

Date: 25 January 2006

Report of: INTERNAL AUDIT MANAGER

Reference: aud/audcomm/250106

Title: INTERNAL AUDIT MONITORING

PUBLIC/EXEMPT ITEM

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

PURPOSE OF THE REPORT

To inform the Audit Committee of progress with the 2005/06 Internal Audit Plan and seek approval for proposed adjustments to the remaining workload.

RECOMMENDATIONS

1. That the monitoring report is noted
2. That the proposed adjustments to the remaining work programme, as set out in section 3 of the report are approved.

REPORT

Background

- 1.1 The Internal Audit Plan for 2005/06 was approved by the Audit Committee on 27 July 2005.
2. **Monitoring Position As At 22 December 2005**
 - 2.1 A detailed monitoring report, showing work undertaken to date against the plan, and estimated days remaining following a comprehensive review of all activity is attached as Appendix A.
 - 2.2 Good progress has been made with the majority of the plan. Additional work taken on by the Section includes a major input into the Council's Use of Resources Self-Assessment (36 days), providing support on procurement issues whilst the Procurement Officer is on maternity leave (15 days) and an increase in levels of advice being sought from the Section (20 days).
 - 2.3 The Section has also, as a one-off arrangement, been appointed to undertake the audit of the Poulton Neighbourhood Management's Use of Grant statement for 2004/05. This work is normally undertaken by the Audit Commission, but agreement has been reached with the Government Office for the North-West for it to be audited in-house. GONW has agreed to pay the Council for the five days allotted to undertake this work.

- 2.4 At 22 December 2005, it was estimated that there were 376 days work remaining in the plan. This compares with available resources of 253 days, including a provision for 10 days of bought-in audit resources. As at 22 December, therefore, there was a potential shortfall of resources of 123 days.

3. Proposals

- 3.1 Proposals for balancing the remaining workload are set out below:

Work Area / Project	Proposed Adjustment (Days)	Comments / Rationale
Financial Systems: <ul style="list-style-type: none"> • Housing Benefits • Income Management • Job Management • Asset Management 	-70.0	The original plan catered for a challenging programme of documenting and testing all significant financial systems. Whilst this work has progressed well, it is no longer realistic to expect to complete the full programme in 2005/06. The work will be continued and completed in 2006/07.
Licensing	-14.0	In view of new arrangements and increased workloads arising from the Council's licensing responsibilities, it is proposed to hold this work to the 2006/07 audit plan.
Partnership Working	-20.0	A considerable amount of work has been done by the Section in recent years to help develop guidelines and a self-assessment tool for partnerships. It is proposed to pick up this particular audit early in 2006/07 to consider the effectiveness of partnership arrangements.
Fraud & Corruption Work	-20.0	Work has been undertaken during the year to put together a fraud & corruption risk register. The work planned is a combination of reviewing the Council's Anti-Fraud & Corruption Strategy and undertaking testing in the highest risk areas identified to date. It is proposed to postpone this work to the 2006/07 plan.
Total Adjustments:	-124.0	

4. Conclusions

- 4.1 The proposed adjustments relate to audit work that has not yet been started during the year. The adjustments are designed to ensure that remaining resources are devoted to key areas of work, particularly those connected with providing assurance on the internal control environment, corporate governance and the production of the annual Statement on Internal Control.

FINANCIAL IMPLICATIONS

None arising directly from this report.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer been consulted and has no comments to add

SECTION 151 OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Internal Audit Annual Plan

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Internal Audit Annual Plan Monitoring Report - 2005/06

Appendix A

As At 22 December 2005

Category:	Advice and Support	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
F001	Advice	80.0	20.0	0.0	0.0	100.0	84.3	15.7
K001	Support Work	20.0	48.0	0.0	0.0	68.0	47.9	20.1
Totals for Category: Advice and Support		100.0	68.0	0.0	0.0	168.0	132.2	35.8
Category: Audit Planning and Monitoring								
Y001	Audit Planning and Monitoring	30.0	-3.0	0.0	0.0	27.0	19.7	7.3
Y002	Committee Work	12.0	3.0	0.0	0.0	15.0	12.3	2.7
Totals for Category: Audit Planning and Monitoring		42.0	0.0	0.0	0.0	42.0	32.0	10.0
Category: Computer Audits								
D301	Information & Communications Technology Audit	40.0	-20.0	0.0	0.0	20.0	0.0	20.0
Totals for Category: Computer Audits		40.0	-20.0	0.0	0.0	20.0	0.0	20.0
Category: Contingencies								
S001	Investigations	35.0	3.0	0.0	0.0	38.0	31.4	6.6
S002	Provision for Follow Up Reviews	70.0	-10.0	0.0	0.0	60.0	59.4	0.6
S003	Provision for WIP Carried Forward	0.0	0.0	0.0	-45.0	-45.0	0.0	-45.0
S004	General Contingency	45.0	-45.0	0.0	0.0	0.0	0.0	0.0
Totals for Category: Contingencies		150.0	-52.0	0.0	-45.0	53.0	90.8	-37.8

Internal Audit Annual Plan Monitoring Report - 2005/06

Appendix A

As At 22 December 2005

Category: Major Financial Systems	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
A001 Housing Rents	15.0	0.0	0.0	0.0	15.0	2.9	12.1
D001 Sundry Debtors	15.0	3.0	0.0	0.0	18.0	14.9	3.1
D003 Housing Benefits & Council Tax Benefits	30.0	0.0	0.0	0.0	30.0	0.0	30.0
D006 Income Management	20.0	0.0	2.0	0.0	22.0	1.9	20.1
D009 Council Tax	15.0	0.0	0.0	0.0	15.0	10.7	4.3
D010 NNDR	18.0	5.0	2.0	0.0	25.0	24.3	0.7
D505 Creditor Payments	15.0	2.0	0.0	0.0	17.0	15.1	1.9
D509 Payroll	15.0	0.0	3.5	0.0	18.5	10.5	8.0
D514 Treasury Management	15.0	2.0	0.0	0.0	17.0	15.4	1.6
D518 Job Management Systems	15.0	0.0	0.0	0.0	15.0	0.0	15.0
D527 Main Accounting	20.0	0.0	0.0	0.0	20.0	2.5	17.5
D528 Asset Management	15.0	0.0	0.0	0.0	15.0	0.0	15.0
M008 Fraud & Corruption	20.0	0.0	1.0	0.0	21.0	1.1	19.9
Totals for Category: Major Financial Systems	228.0	12.0	8.5	0.0	248.5	99.4	149.1

Internal Audit Annual Plan Monitoring Report - 2005/06

Appendix A

As At 22 December 2005

Category: Management Arrangements	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
G301 Contract Management	10.0	0.0	0.0	0.0	10.0	8.2	1.8
M001 Best Value	20.0	1.5	0.0	0.0	21.5	21.5	0.0
M002 Financial Management	15.0	1.5	0.0	0.0	16.5	14.0	2.5
M007 Corporate Governance	50.0	0.0	0.0	0.0	50.0	32.1	17.9
M009 Health & Safety	15.0	5.0	0.0	0.0	20.0	14.5	5.5
M013 Performance Management	30.0	0.0	0.0	0.0	30.0	7.5	22.5
M015 Partnership Arrangements	20.0	0.0	0.0	0.0	20.0	0.0	20.0
M016 Legality Issues	15.0	0.0	0.0	0.0	15.0	3.5	11.5
M017 Electronic Government	0.0	0.0	14.0	0.0	14.0	14.1	-0.1
M018 Risk Management	45.0	0.0	0.0	0.0	45.0	33.5	11.5
M019 Procurement Strategies	40.0	12.5	0.0	0.0	52.5	38.7	13.8
M020 Civil Resilience	10.0	0.0	0.0	0.0	10.0	0.4	9.6
M021 Business Continuity Planning (Closed)	0.0	0.0	1.0	0.0	1.0	0.3	0.7
M022 Project Management	20.0	0.0	0.0	0.0	20.0	12.8	7.2
M023 Communication	15.0	0.0	0.0	0.0	15.0	5.2	9.8
P002 Personnel Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P004 Diversity	15.0	14.0	0.0	0.0	29.0	28.8	0.2
Totals for Category: Management Arrangements	320.0	34.5	15.0	0.0	369.5	235.3	134.2
Category: Non Audit Work							
H001 Non Audit Duties	5.0	0.0	0.0	0.0	5.0	3.4	1.6
Totals for Category: Non Audit Work	5.0	0.0	0.0	0.0	5.0	3.4	1.6

Internal Audit Annual Plan Monitoring Report - 2005/06

Appendix A

As At 22 December 2005

Category:	Operational Audits	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
A052	Renewal (Strategic Housing)	20.0	0.0	0.0	0.0	20.0	0.0	20.0
B051	Licensing	15.0	0.0	0.0	0.0	15.0	1.0	14.0
C004	Planning Applications & Development Control	0.0	0.0	1.5	0.0	1.5	1.4	0.1
C005	Contaminated Land	0.0	0.0	0.0	0.0	0.0	0.1	-0.1
C006	AONB	15.0	2.5	0.0	0.0	17.5	15.4	2.1
C201	Museums Partnership	0.0	0.0	6.5	0.0	6.5	3.2	3.3
C261	Regeneration & Business Development (inc SRB and EDZ)	15.0	0.0	0.0	0.0	15.0	5.4	9.6
D161	Facilities Management	0.0	0.0	13.5	0.0	13.5	10.9	2.6
D453	Markets	0.0	0.0	0.0	0.0	0.0	0.1	-0.1
M005	City Centre Development & Management	0.0	0.0	0.0	0.0	0.0	0.1	-0.1
Totals for Category:	Operational Audits	65.0	2.5	21.5	0.0	89.0	37.5	51.5
Category:	Secondary Financial Systems							
D517	Income Tax and National Insurance	10.0	5.0	0.0	0.0	15.0	3.3	11.7
Totals for Category:	Secondary Financial Systems	10.0	5.0	0.0	0.0	15.0	3.3	11.7
Grand Totals:		960.0	50.0	45.0	-45.0	1010.0	634.0	376.0