



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 26 APRIL 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 25th January 2006 (previously circulated)
3. **Items of urgent business authorised by the Chairman**
4. **Annual Audit and Inspection Letter** (Pages 1 - 32)
Report of the Audit Commission
(All Councillors have been invited to attend for this item).
5. **Results of Internal Audit Work** (Pages 33 - 46)
Report of Internal Audit Manager
6. **Good Governance Standard Self-Assessment** (Pages 47 - 72)
Report of Corporate Director (Finance and Performance)
7. **Internal Audit Plan** (Pages 73 - 80)
Report of Internal Audit Manager
8. **Risk Management Progress and Proposed Work Plan** (Pages 81 - 86)
Report of Head of Financial Services
9. **Functioning of Forward Plan** (Pages 87 - 100)
Report of Overview and Scrutiny Committee
10. **Broadcasting and Recording of Council Meetings** (Pages 101 - 106)
Report of Head of Democratic Services

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 James Doble, Democratic Services - telephone (01524) 582057 or email jdoble@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

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

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Published on Thursday 13th April 2006

Annual Audit and Inspection Letter

March 2006

Annual Audit and Inspection Letter

Lancaster City Council

Audit 2004-2005

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

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- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

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Key messages

Council performance

- 1 The Council is addressing the areas of weakness identified in the corporate performance assessment of 2004. Stronger corporate governance arrangements are resulting in more productive decision-making. Financial stability has been maintained through continued improvements in financial management and control. A consistent vision and clear priorities are providing a good strategic direction and attracting the commitment of staff, councillors and partners. Strengthened internal structures are supporting better analysis of weak areas so that the Council can focus its efforts and resources more efficiently. This is leading to improved outcomes in targeted service areas such as benefits; planning, housing and customer access. However, despite the Council's efforts, public satisfaction, when last tested, with its services overall was low especially in areas of local priority such as street cleaning. Whilst a number of changes are being made at a corporate level to support improvement, for example around performance management and workforce planning, these are not yet effectively and consistently in place across the Council.
- 2 In conjunction with the Council, we have identified a number of key areas where the Council needs to develop further to enable it to make a reality of the ambitious plans it has set out for the Council and for the area. In particular, the Council's performance management focus now needs to move away from setting and clarifying priorities to determining how these are going to be delivered. The business planning process is the key vehicle by which the Council translates its overall objectives into delivery within services and this is now the area where we feel a significant effort is needed.
- 3 The Council is assessed as having a fair, one-star approach to customer access and focus that has promising prospects for improvement. Overall, the Council is focused on improving access to services and is investing resources in this, initially through a pilot approach to put in place customer services centres. This approach is now being rolled out across all customer facing services. The Council has targeted resources to improve key services and has seen an improvement as a result, for example in the revenues and benefits service.
- 4 Internal quality control arrangements for ensuring the data quality of performance information continues to improve. This has led to improved accuracy, compliance with standard definitions and quality of supporting evidence. Some errors remain however and the Council needs to continue to improve the accuracy of its performance information to ensure that it represents a sound basis for decision-making.

Financial position

- 5 The Council continues to have a sound financial base, supported by an effective approach to medium-term financial planning. There remain challenges in relation to delivering some significant changes in the provision of services within limited resources and it is important that the Council continues to closely monitor financial performance and retain a focus on the medium to longer-term picture.

Other accounts and governance issues

- 6 We gave an unqualified opinion on the Council's accounts on 31 October 2005. Officers have achieved the production of materially correct accounts to an earlier deadline and further work will be required to repeat this again for the 2005/06 accounts. Additionally, the Council needs to ensure that the requirement to revalue fixed assets within a five-year period is clearly met and evidenced to ensure that the fixed asset values within the accounts remain valid.
- 7 We have not identified any significant weaknesses in the overall control framework and Internal Audit remains an effective element of that framework. The Council needs to continue developing its approach to risk management to achieve effective embedding within its management processes. We have identified some scope for improvement in terms of clarifying arrangements for bidding for and managing projects funded by specific grants and strengthening project management arrangements for the implementation of new financial information systems.
- 8 We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions. Areas where significant work remains to be done to achieve full compliance with new legal requirements are full implementation of the Civil Contingencies Act and the Local Government Pay Services Agreement.

Action needed by the Council

- 9 The Council should continue implementing its improvement plan and in doing this ensure that:
 - a more sophisticated approach is developed to identifying public satisfaction with the Council and its services, identifying the underlying causes for any dissatisfaction and taking appropriate action to deal with these;
 - effective consultation and engagement arrangements are applied consistently across the organisation;
 - performance management, risk management and value for money (VFM) approaches continue to become more effective;
 - workforce planning is developed and effectively linked with operational and financial plans to help ensure the Council has the capacity to achieve its ambitions; and
 - financial management arrangements continue to support the Council in achieving its objectives.

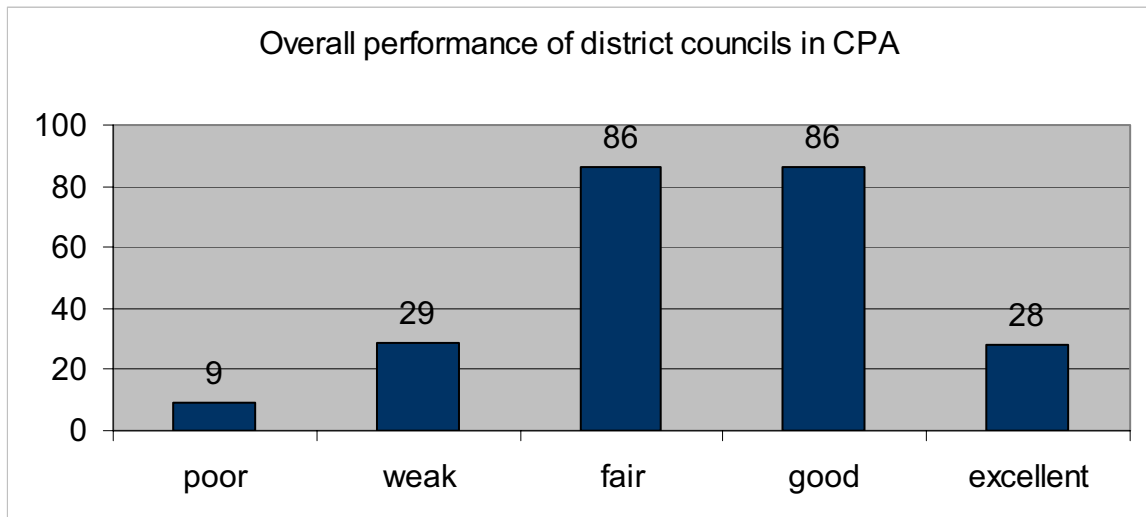
Council performance

Direction of travel report

- 10 Lancaster City Council was assessed as fair in the comprehensive performance assessment (CPA) carried out in 2004. These assessments have now been completed in all district councils with the following results.

Figure 1 Overall performance of district councils in CPA

Three times as many district councils are rated good or excellent than poor or weak



Source: Audit Commission

- 11 Since the assessment, the Council has identified its priorities for improvement and we have been working with the Council as it seeks to improve further.
- 12 The Council is addressing the areas of weakness identified in the corporate performance assessment of 2004. Stronger corporate governance arrangements are resulting in more productive decision-making. Financial stability has been maintained through continued improvements in financial management and control. A consistent vision and clear priorities are providing a good strategic direction and attracting the commitment of staff, councillors and partners. Strengthened internal structures are supporting better analysis of weak areas so that the Council can focus its efforts and resources more efficiently. This is leading to improved outcomes in targeted service areas such as benefits; planning, housing and customer access. Whilst a number of changes are being made at a corporate level to support improvement, for example around performance management and workforce planning, these are not yet effectively and consistently in place across the Council.

Improving outcomes

- 13 The Council is improving service delivery. In 2004/05, 51 per cent of national performance indicators had improved when compared to previous years, with significant levels of improvement in areas such as planning processing times and the benefits service. The Council is not a top performer with only 27 per cent of indicators in the top 25 per cent band but 50 per cent of national indicators are above average when compared to similar Councils.
- 14 Recycling rates are rising but remain comparatively low at the end of 2004/05 and there is a poor rate of public satisfaction with recycling facilities and waste collection. The Council is implementing an enhanced household waste collection scheme using the three-stream recycling model and this is expected to cover 90 per cent of the area by 2007/08. Investments in the housing repairs service continue to pay-off. Recent Council figures show that it has reduced waiting times from 30 days to 5 days and tenants' satisfaction is rising. However, despite the Council's efforts public satisfaction, when last tested, with its services overall was low especially in areas of local priority such as street cleaning.
- 15 An exception is satisfaction with the Council's handling of complaints. This has substantially improved following the introduction of a new complaints system, and the first phase of the Council's customer call centre which led to the number of missed calls falling substantially from 30 per cent to less than 3 per cent. Improving access to its services is a strong priority for the Council and an inspection of Customer Focus and Access in September 2005 assessed its approach as 'fair' with 'promising' prospects for improvement. The Council's Customer Access Review was a catalyst for changing its response to the public and the range of access channels offered to local people. Improvements in access are beginning to drive more effective back office systems, for example instigating a more efficient approach to the collection of bulky waste. The Council is making steady progress in achieving its e-government targets. However, progress in publishing service standards has been slow making it difficult for the public to know what to expect.
- 16 The Council recognises the need to address those areas of greatest concern to its communities. In order to improve cleanliness of streets and open spaces, it is tackling weaknesses in its approach to enforcement for example contributing to the funding of additional Police Community Support Officers who will carry out environmental enforcement duties. The Council has agreed to the inspection of its waste management during 2006 with the expectation that it will help the Council make further improvements in this area.

- 17 The Council recognises that homelessness levels are too high and is working to reduce the impacts of homelessness. Through investment in a new post and working in partnership with community organisations it is reducing the length of time that homeless families spend in bed and breakfast accommodation. Projected figures for 2005/06 indicate that the numbers of homeless applications and acceptances are beginning to reduce. The Council hopes to secure improvements by strengthening its strategic approach to balancing local housing markets and working within the local strategic partnership to target affordable housing.

Leadership and strategic direction

- 18 Firm political and managerial leadership is setting a clear strategic direction. Decision-making processes are more streamlined and transparent for example through delegating decisions to individual cabinet members. A more consensual approach has led to better prioritisation of efforts and resources. As a result staff and councillors are clearer about what the Council is trying to achieve and how they contribute to delivery of its objectives. Resources are targeted towards priority improvement areas. As confidence builds, there is more appetite for change and the Council is becoming more ambitious in its aims for itself as an organisation, and for the future of its communities.
- 19 The Council responds constructively and positively to external challenge and learns from others for example examining examples of best practice in performance management and customer access before finalising its plans. Internally, restructuring of the Overview and Scrutiny arrangements has brought benefits through more productive challenge. The scrutiny programme focuses on corporate priorities and is linked to the Cabinet's forward plan.
- 20 Community leadership is growing through the Council's involvement in the local strategic partnership (LSP) and the development of its ambitious plans for regenerating the area. It has attracted a significant level of external funding to support its aims for the renaissance of the more deprived areas. The Council is facing some difficult decisions regarding the future management of its property assets and is prepared to consider radical change in order to provide better quality customer environments. It recognises and is beginning to respond to the distinct and different challenges of the city; the coast; and the rural areas and this is improving its ability to target initiatives to better meet diverse needs. Improved prioritisation is characterised by a corporate plan which is clear and links well to the aims of the community strategy. It targets areas that are identified as important to local people through the community strategy consultation.

- 21 The Council does not have a consistent, corporate approach to involving residents and partners in its decision-making through effective consultation and engagement. It is starting to address this for example it consulted with key partners about its corporate plan priorities for 2006/07. However, its approach is mainly confined to specific schemes and projects rather than systematically offering a wide range of opportunities for local people to influence and shape service delivery. There is also a lack of co-ordination across the Council so that the results of consultation and feedback are not shared and the Council's knowledge about its customer profile and its changing communities is not updated. It is targeting minority and potentially excluded groups through its work with the equality and diversity sub group of the local strategic partnership although this is at an early stage. It carries out impact assessments of its policies as part of delivery the race equalities scheme. However, the Council is not consistently engaging with its more marginalised communities or those who are potentially the most disadvantaged. The Council has recently implemented a wide range of actions to improve its approach to consultation which it expects to address the above issues.

Systems to support improvement

- 22 The Council has continued to strengthen financial management and control systems and improve its overall financial base using its medium-term financial strategy effectively to support decisions and prioritisation. It maintains a year-round focus on budgets through its 'star chamber' process which identifies efficiency savings; makes sure that resource allocation matches priorities and is beginning to drive an emphasis on value for money. Better financial management and clearer prioritisation are beginning to feed into a more effective business planning process for 2006/07.
- 23 Introducing a reliable, corporate approach to performance management is a challenge for the Council. Progress has been slow but project plans for the implementation of a new framework which has the commitment of councillors and managers are now in place. Currently, there are pockets of good practice for example in the revenues and benefits, and housing services, but no systematic corporate approach to gathering data and using it to manage performance and drive improvements. The Council is developing more reliable performance information systems and reporting schedules. The quality and timeliness of performance data is patchy but improving. Reports to senior managers and cabinet are more regular and identify the direction of travel of high-level indicators and 'hot topics' that require remedial action. The new framework is based on better information gathering and reporting via the Escendency system, complemented by stronger management of performance through service improvement teams (one per cabinet member) and a regular 'corporate report' to cabinet.
- 24 Risk management is developing with a corporate risk register in place and risk assessments integrated into cabinet reports. However, it is not fully integrated with service planning or linked to routine service management. Business continuity planning is not well-developed or sufficiently integrated with emergency planning to meet national requirements.

- 25 Capacity within the Council to design and deliver the service improvements it seeks, alongside its ambitious plans for regeneration, is stretched. Its approach to workforce planning is under-developed. The Council is building capacity through recruitment and investing in staff training and development. All senior managers have completed the university-based management development programme and middle managers are receiving internal training. Member training has lacked focus and is slow to implement. Sickness levels are improving through better management and a new occupational therapy scheme. They still remain relatively high at 12.2 days in 2004/05 and a potential 11 days for 2005/06.
- 26 Internal communication is improving with team briefing and effective monthly briefings from the Management Team receiving high attendance and good feedback. The Council has worked hard to improve its reputation with local people by improving external communication through for example, the development of its news letter which is very well-received and website. It has also built productive relationships with local media, significantly improving the coverage of Council activities in the local press. Lancaster City Council has signed up to the LGA 'Local Government Reputation' project, committing itself to a series of set priority actions, to help drive up public satisfaction within local government.

Performance management

- 27 As the Authority has been developing its approach to performance management, we have reviewed both its current position and plans for the future to take a view on how effective the current arrangements are and whether the planned improvements are in the right direction to fill any gaps.
- 28 We have worked with the Authority during the course of the review including facilitation of two workshops involving senior officers and members, one dealing with the principles of performance management and how they relate to Lancaster and one dealing with the gaps in the current arrangements and where information on alternative approaches might be available to tackle these.
- 29 The Council has made progress over the last few years in developing its performance management framework. In particular linkages have now been made to the Community Strategy, the Council's priorities are now much clearer, member structures have changed and they are now more involved in performance management of the Council, the Council is becoming more focussed on outcomes rather than processes, and the star chamber mechanism is helping the Council align resources to priorities.
- 30 In conjunction with the Council, we have identified a number of key areas where the Council needs to develop further to enable it to make a reality of the ambitious plans it has set out for the Council and for the area. In particular, the focus of the Council's efforts now needs to move away from setting and clarifying priorities to determining how these are going to be delivered. The business planning process is the key vehicle by which the Council translates its overall objectives into delivery within services and this is now the area where we feel a significant effort is needed.

- 31 The Council is implementing a number of actions to:
- maintain the validity of strategic plans through community input;
 - clarify plans for delivery of the Community Strategy between partners;
 - ensure there is a clear understanding of the Council's priorities within the organisation;
 - improve business planning to ensure there is a focus on delivering key improvements for residents consistent with the Council's corporate plan;
 - develop and embed risk management in such a way that the Council can pursue innovative solutions in a controlled and transparent manner;
 - identify the skills needed from the workforce for future delivery and working with partners to ensure any capacity gaps are filled;
 - evaluate the value for money delivered by Council services and pursue alternative delivery options where this would achieve better value;
 - clarify the performance framework; and
 - evaluate more regularly how the Council is performing through management information and the cabinet/scrutiny role in performance review.

Access to Services Inspection

- 32 This inspection focused on the Council's approach to improving services through customer access and focus. The objective of strengthening accessibility and user focus is to refocus services around the needs of citizens and other customers, rather than the problems of those who provide services.
- 33 The Council is assessed as having a fair, one-star approach to customer access and focus that has promising prospects for improvement. Overall, the Council is focused on improving access to services and is investing resources in this, initially through a pilot approach to put in place customer services centres. The Council has targeted resources to improve key services and has seen an improvement as a result, for example in the revenues and benefits service.
- 34 We have made recommendations about how the Council can improve its approach. These include the following.
- Develop a corporate approach to consultation to ensure best use is made of resources and good practice is shared. This should:
 - build on good practice in regeneration areas;
 - focus on developing appropriate mechanisms for consulting traditionally excluded groups and non-users; and
 - ensure feedback is routinely given to consultees so that they are clear about the action the Council has taken in response to their views.
 - Set and publicise precise, measurable and challenging service standards for all customer facing services, that make clear the level of services customers can expect to receive in terms of responsiveness and meeting their needs.

- Review the level and means of access across all services to ensure that opening times, access channels and outreach facilities are consistent and meet the needs of users.
 - Use customer information and performance management to measure and evaluate the take-up of services by, and impact on, particular groups and assess needs and satisfaction to influence service planning and delivery.
 - Quantify the extent of community involvement in the district including the full impact of the changing role of the voluntary and community sector.
- 35** The Council has recently implemented a wide range of actions to improve its approach to consultation. These include the re-launching of its consultation strategy, awareness raising and training for services, the provision of consultation tools including a tool for e-consultation, an annual consultation plan for 2006/07 and requesting council tax payers to register if they are willing to be future consultees. The effectiveness of the consultation approaches is to be reviewed by the Council's Budget and Performance Panel during 2006/07

Best value performance plan and performance indicators

- 36** We have audited the Council's best value performance plan (corporate plan and corporate performance plan) and we are satisfied that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.
- 37** Internal quality control arrangements for ensuring the data quality of performance information continues to improve. This has led to improved accuracy, compliance with standard definitions and quality of supporting evidence. The use of Internal Audit to test check sample indicators improved these arrangements with particular impact on indicators where previous issues had been identified.
- 38** Some errors remained caused by simple calculation errors and applying the definitions incorrectly. In some instances there were still issues about inadequate working papers and system inadequacies in extracting the required data. The Council therefore needs to continue to improve the accuracy of its performance information to ensure that it represents a sound basis for decision-making.
- 39** Additional action is being taken to address the need to improve data quality including the continued use of Internal Audit to test check the quality of indicator calculations and provide advice/support, continued focus on high-risk indicators and the implementation of mentoring for PI practitioners.

Accounts and governance

Audit of 2004/05 accounts

We gave an unqualified opinion on the Council's accounts on 31 October 2005. Officers have achieved the production of materially correct accounts to an earlier deadline and further work will be required to repeat this again for the 2005/06 accounts. Additionally, the Council needs to ensure that the requirement to revalue fixed assets within a five-year period is clearly met and evidenced to ensure that the fixed asset values within the accounts remain valid.

Matters arising from the final accounts audit

- 40 Under the Accounts and Audit Regulations 2003, the deadline for approving the 2004/05 accounts had been brought forward one month to 31 July 2005 with audit opinions required by 31 October 2005. The Authority has again produced its accounts earlier than the statutory requirements, the draft statement of accounts being approved by the Audit Committee on 25 July 2005. We provided an unqualified opinion on the accounts on 31 October 2005.
- 41 The accountancy team experienced a number of staff changes during 2005 which made closedown of the accounts and responding to audit queries particularly difficult. The achievement of an earlier closedown together with a materially correct set of statements in these circumstances is a significant one.
- 42 The audit identified a number of errors that were subsequently corrected. None of these impacted on the bottom line of the revenue account and none were considered to be significant enough to warrant being brought to the attention of members prior to giving our audit opinion. The most significant errors identified related to the incorrect calculation of depreciation charges relating to fixed assets. Correction of the error led to a reduction in fixed asset values of £310,000 with a net nil impact on the revenue account since such charges are reversed out of the revenue account to ensure a nil impact on council tax.
- 43 Action has already been taken to reduce the risk of such errors in next year's accounts. The most significant issue identified during the audit of the accounts which could affect future audit opinions relates to the need to be able to demonstrate that fixed assets are revalued every five years in accordance with CIPFA guidance.
- 44 For 2005/06 when the statutory timetable comes forward one more month, continued efforts will be needed to achieve the production and approval of a materially correct set of accounts within the shorter timescale. In particular it will be important to ensure that new staff receive appropriate training and guidance during the year and that the closedown process is subject to close supervision and review. Any changes in closedown processes to achieve the earlier deadline will require effective communication to all those involved.

Financial standing

The Council continues to have a sound financial base, supported by an effective approach to medium-term financial planning. There remain challenges in relation to delivering some significant changes in the provision of services within limited resources and it is important that the Council continues to closely monitor financial performance and retain a focus on the medium to longer-term picture.

General fund spending and balances

- 45 The outturn for 2004/05 resulted in an underspend of almost £500,000 against the original budget for the year (just over 2 per cent of net cost of services). This follows a growing trend of underspends in recent years. The 2005/06 budget was agreed keeping the council tax increase to under the 'target' of 5 per cent, retaining balances within the levels determined by the chief financial officer whilst also delivering some significant improvements such as the extension of the recycling scheme. The revised budget for 2005/06 reflects a forecast underspend against the original budget of £600,000. The 2006/07 budget, recently agreed by members, allows for over a £1 million for new spending commitments, with various savings also being made and a planned use of balances of £410,000 resulting in a council tax increase of 4.5 per cent.
- 46 Recent changes in the finance settlement from the Government have been financially helpful to the Council. These include:
- the announcement of a provisional settlement for the next two years as well as the current year giving some certainty for forward financial planning purposes;
 - a change towards supporting capital expenditure through capital grants rather than borrowing, removing the interest costs which would have otherwise been incurred; and
 - a more favourable settlement than expected.
- 47 Potential pressures on future budgets which have not yet been fully quantified include the implementation of service changes following the Council's access to services review and the implementation of single status requirements for employees' terms and conditions and equal pay. Reserves have been created in 2004/05 following underspends in other areas to help fund these initiatives and will help to reduce the impact in the short-term. For the longer-term, a full evaluation still needs to be completed. Projections for future years still show potential council tax increases of over 5 per cent and the Council is continuing its approach to identify savings to keep council tax increases below this level for the future.
- 48 General fund balances have continued to grow, standing at £2 million at 31 March 2005 and potentially growing to £2.6 million depending on the final outturn for 2005/06. (The level considered prudent by the chief financial officer is £1 million.) The level of balances helps to mitigate the risks involved around the current uncertainties noted above and is helpful in enabling the Council to plan new initiatives with some confidence.

- 49 The use of the medium-term financial plan (MTFP) and the Council's star chamber has helped the Council to understand at an early stage the level of savings needed to achieve delivery of its priorities including keeping council tax increase below 5 per cent. Work was ongoing with individual services through this approach to identify potential savings for almost twelve months prior to the approval of the 2005/06 budget. Clear links can be seen between the areas of growth and savings identified and the Council's priorities for the area.
- 50 We have identified areas where the further development would be helpful:
- ensuring all capital projects and disposals go through the asset management group; and
 - ensuring the MTFP does not just focus on new developments that are currently ongoing but also risk assess the likelihood and impact of future events and changes.

Capital programme

- 51 The Council's capital programme continues to grow from £7.9 million in 2003/04 to £11.8 million in 2004/05 and a forecast spend of £17 million in 2005/06. This growth reflects the continued success of the Council in attracting external funding for regeneration and sea defence work. As the size of the programme grows, the need for strong project management also grows to ensure that such projects are delivered to the required specifications, on time and within budget.
- 52 There have been significant slippages in the programme in 2004/05, (£11.2 million) and 2005/06, (£14.3 million). These relate mainly to two schemes, Luneside East urban village and Morecambe townscape heritage scheme. It is important that members receive periodic information on progress on the capital programme together with explanations for any significant slippages or changes in budgeted spend so that they can ensure appropriate action is being taken. Capital progress monitoring information is currently provided to members through the corporate financial monitoring reports but there is limited explanatory information provided.

Income collection and arrears

- 53 At 31 March 2005, debt owed to the Council was £10.2 million. Much of this relates to amounts only recently become due and from government departments which have a high likelihood of collection. Performance monitoring of the main categories of debts being collected by the Council during the year show a reasonable and improving performance as shown in the table overleaf.

Table 1 Income collection performance

Improvements in debt collection are evident for most types of debt

Debt type	2003/04 actual	2004/05 actual	2004/05 target
Rent collected as percentage of rents owed	97.4%	98.4%	100%
Percentage of council tax collected	96.3%	96.5%	96.7%
Percentage of NNDR collected	98.7%	98.7%	99%
Percentage of housing benefit overpayments collected	41.8%	43.33%	None set, actual performance in 2004/05 is above the national average of 41.4 per cent.
Sundry debtors <ul style="list-style-type: none"> Total debt as at July Debt over one year old as at July 	£2.3m £1.0m	£2.1m £0.8m	None set

Source: Council PI/corporate monitoring reports

Systems of internal financial control

We have not identified any significant weaknesses in the overall control framework and internal audit remains an effective element of that framework. The Council needs to continue developing its approach to risk management to achieve effective embedding within its management processes. We have identified some scope for improvement in terms of clarifying arrangements for bidding for and managing projects funded by specific grants and strengthening project management arrangements for the implementation of new financial information systems.

Internal Audit

- 54 To comply with this area of the code we review the Council's arrangements for ensuring adequate monitoring of financial systems. A key element of the Council's arrangements is the existence of an effective internal audit function. Much of our work therefore focuses upon the work completed by Internal Audit. We continue to place reliance on their work and consider their coverage and the quality of work to be good with a generally good response from services to their recommendations.

Any other issues

Risk management

- 55 The Council has continued to develop its approach to risk management. There is now clear evidence of support at senior officer and member level and evidence of greater understanding across the organisation. At a member level, the Audit Committee has been allocated responsibility for risk management and receives quarterly reports. Corporate risk registers have been developed which are clearly linked to priorities within the corporate plan. However, risk management is not yet fully embedded in corporate business processes and at an operational level.
- 56 The beginnings of a culture change within the Council's attitude to risk can be seen with opportunity risk being addressed through training and senior management encouragement. Several examples of this being applied exist including recent decisions to close cash offices, considerations relating to the disposal of the two town halls, and the access to services agenda all of which represent significant changes coupled with risks but also representing key opportunities for improvement.
- 57 The Council's approach to risk management does not yet include the identification of risks and assurances relating to significant partnerships although this has occurred in recent examples of partnering contracts.

External funding

- 58 The Council, in line with many others, is more involved in bidding for external funding than in previous years. Far more government funding is available through this approach than previously as government bodies try to direct money into priority areas. Such monies generally come with specific requirements in relation to accounting and accountability for the spending of these funds. The availability of such monies therefore represents an important opportunity for Councils to assist in the delivery of new initiatives but also represents a risk of loss of funding where conditions are not met. Although officers are verbally advised of the requirements around bidding for such funds there are no formally agreed written procedures. We have re-stated our recommendation that formal procedures should be developed to reduce the associated financial risk to the Council.

New information systems

- 59 The Council is currently introducing a number of key information systems. In the context of this environment of change, it is important that the Council's project and programme management arrangements are satisfactory, and that risk in this area is identified and minimised. We have reviewed the implementation of the task system in order to gain an understanding of how effectively the Council has implemented a significant new financial system, and to identify any learning which could be applied to other system implementations. Our review was carried out against a background of other project management reviews currently being carried out by Internal Audit.
- 60 It is evident that Council officers worked hard to bring about a successful implementation of this project, although there were a number of project planning and management issues that caused problems throughout the process. Key areas of learning for future implementations include:
- ensuring sufficient resources are available to support the implementation including effective testing of new systems, cross-modular links and their interfaces with existing systems;
 - post implementation, assigning project ownership and undertaking a post-implementation review; and
 - producing tighter specifications with suppliers particularly in relation to agreeing variations, ongoing communication requirements, arrangements for resolving problems and requirements for delivery of modules etc to enable an effective testing programme before going live.

Standards of financial conduct and the prevention and detection of fraud and corruption

We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption. There is scope for improvement, particularly in relation to reviewing the effectiveness of whistleblowing arrangements.

- 61 The Council continues to maintain and update its arrangements in this respect including, over the last year, providing guidance to officers and members on how to deal with allegations of fraud and introducing a review of registers of interest and hospitality.
- 62 There is scope to improve the Council's whistleblowing arrangements. A whistleblowing policy is in place and is held on the Council's internet and intranet sites and it is included as part of induction training. However, the policy is not yet communicated to third parties contracting with the Council and there has not been a review of the effectiveness of the existing whistleblowing arrangements.

Legality of transactions

We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions. Areas where significant work remains to be done to achieve full compliance with new legal requirements are full implementation of the Civil Contingencies Act and the Local Government Pay Services Agreement.

- 63 We have reviewed the Council's arrangements for considering the impact of new legislation for the following areas:
- Freedom of Information Act;
 - Civil Contingencies;
 - Money Laundering; and
 - Single Status.
- 64 These are all significant legislative changes for local authorities where non-compliance could result in serious consequences for the Council including financial loss. In all cases, relevant officers were aware of the requirements and arrangements were in place to achieve compliance although there is still much to be done.

Table 2 Progress in relation to new legislative requirements

Legislative area	Position
Freedom of Information	<p>The Council is well-placed to deal with the legislation. There are some areas still being worked on and these include:</p> <ul style="list-style-type: none"> • identifying and considering impact of information shared with partners; • completing a review of electronically held records; and • installing appropriate information management systems to ensure that information is quickly identifiable and retrievable.
Civil Contingencies Act	<p>The Council has begun work on developing a business continuity plan and is working with the County Council in respect to emergency planning. In both cases the Council is in the early stages of development. This is an important area which needs to be addressed.</p>

Legislative area	Position
Local Government Services Pay Agreement 2004	The Council is aware of its obligation under the agreement and has commissioned a job evaluation study covering 50 positions following which the Council will consider various options to meet its obligations in this respect. Some authorities have already implemented the agreement but most are at a similar stage to Lancaster. Implementation can potentially have a significant financial impact for Council's although this will vary across Council's depending upon the different types of workforce they have and the option used to achieve implementation. It will be important to begin a financial evaluation to feed this into the Council's MTFP during 2006.
Money Laundering	Council officers are aware of the requirements and have nominated a money laundering officer whose first responsibility will be to identify those Council activities most likely to be affected by this and to ensure relevant staff have had appropriate training.

Source: Regularity report 2004/05

Use of resources judgements

- 65 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the Authority. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit. We anticipate in future the use of resources judgements will form part of the CPA framework.
- 66 Previously, 'adequate arrangements' were sufficient to score 3, but under the new approach meeting 'adequate performance' will score 2. Scoring is based on the following scale.

67

1	Below minimum requirements – inadequate performance
2	At minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

68 We have assessed the Council's arrangements in five areas.

Table 3 Council's arrangements

The Council is performing well

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
Overall	3 out of 4

(Note: 1=lowest, 4=highest)

- 69 In reaching these judgements, we have drawn on the above work and supplemented this with a review against specified key lines of enquiry.
- 70 The majority of scores of 3 reflect the effective financial governance arrangements the Council has put in place. Whilst the VFM element has received the lowest assessment, it is important to note that the Council has already begun a range of initiatives which are expected to improve this aspect of the Council's arrangements for the future.
- 71 The key strengths and areas for improvement for each area are summarised below.

Financial reporting

- Well-supported accounts produced which are materially correct and compliant with regulations and accounting standards.
- Good practice/innovation exists with the use of the hyperlinked CD to provide clear audit trail for all items within the accounts.
- Accounts were usefully presented to members prior to approval and discussed. The SIC was separately considered and discussed by members.
- The Council has not yet consulted on the publication of a summary set of accounts or published such a summary.

Financial management

- Strong approach to financial management and can demonstrate that its approach is helping it to deliver improvement priorities.
- Financial planning in the short and medium term is clearly linked to corporate objectives, service developments and supports the identification of efficiency savings to help make the best use of resources.

- Financial monitoring processes are good and have helped to prevent significant under/overspends.
- Approach to asset management has improved significantly in recent years with a much more strategic view being taken.
- There is scope to further develop the approach to medium-term financial planning, clarify resource plans with partners and the VFM delivered through partnerships and improve performance measurement of the Council's assets.

Financial standing

- Good track record of managing it's spending within budget and has effective budget monitoring processes in place.
- General fund balances are currently in excess of the planned levels but plans are in place to use excess amounts to deliver planned improvements in services in the medium-term.
- There is scope to improve the monitoring of debt collection performance and costs and further develop the approach to monitoring key financial health indicators.

Internal control

- Good basic risk management processes have been developed which now need further work to achieve effective embedding in Council's management processes including in relation to partnerships.
- Sound system of internal control is in place with clear links to the Council's risk management arrangements.
- Arrangements for ensuring appropriate internal controls within partnerships are in place.
- An audit committee has been in place for some years now and covers a range of internal control and governance arrangements. More could be done to develop the role of the audit committee further in terms of proactively considering governance arrangements and ensuring members have received appropriate training.
- Overall, some good anti-fraud and corruption arrangements in place and a range of examples of proactive counter fraud work ongoing. Indications are that there is a strong anti-fraud and corruption culture in place with good standards of conduct in place generally. There is scope for improvement, particularly around ensuring the effectiveness of whistleblowing arrangements.

Value for money

- The Council increasingly understands the underlying reasons why its costs and spending patterns differ from nearest neighbours and other district councils, although information on costs and how these compare to others and to the quality of services achieved is not yet consistently being used to review and challenge VFM throughout all services.
- Whilst in overall terms costs for key services are broadly in line with other district councils providing similar levels of service, there are still some differences in the quality and standards of some key services provided to local residents, and their levels of satisfaction with them.
- Links between spending, investment and the Council's corporate priorities are becoming more embedded within day-to-day operational arrangements with improvement evident following targeted investment in some priority areas. However, VFM considerations have not yet been integrated by all services into their day to day operational management arrangements and VFM targets have not been set consistently across the Council. There are plans to develop VFM targets as part of the 2006/07 business planning process.
- Arrangements for regularly benchmarking costs and quality of services achieved currently and over time need further development throughout all services and corporately if they are to act as an effective means of challenging performance and VFM.
- Major variations between budget and spend to date are highlighted through the existing corporate financial monitoring reports. However, reports do not necessarily highlight wider VFM issues nor do they appear to bring together information on costs and quality. The Council has still to integrate regular VFM monitoring into its existing performance management arrangements.
- An efficiency statement is in place but this does not yet include all known efficiencies and detailed work streams are still developing in many areas. The statement is not yet backed up by strong processes and structures for monitoring and review.
- The Council increasingly understands the full short and long-term costs of its actions and is now starting to take account of these when evaluating options and making policy decisions.
- There are some good individual examples of how joint procurement and partnership procurement opportunities are being used by the Council to improve service performance, quality and VFM. The Council is currently building up information to enable it to demonstrate the impact and VFM achieved from its procurement activity.
- There are some good individual examples of effective use of IT as a means of managing and improving VFM and service efficiency but IT is not yet being fully exploited across the whole Council.

Other work

Grant claims

- 72 In accordance with strategic regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We have reduced our audit of these claims resulting in a reduced fee to the Council of about 10 per cent for 2004/05. The Council maintains a strong control environment for most of the claims we audit enabling us to limit our testing where possible. Following the success of the Council in obtaining additional external funding, there is however an increase in the number of claims we are required to audit, which will limit our ability to maintain an overall reduction in this area of our work.

National Fraud Initiative

- 73 In 2004/05, the local authority took part in the Audit Commission's National Fraud Initiative (NFI). The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000.
- 74 Lancaster City Council has received the NFI CD-Rom, officers had been trained in the use of the CD Rom, and a planned, prioritised approach has been taken to the reviewing of the matches. The NFI exercise is being managed, monitored, controlled in a reasonable manner and is still in progress. Savings identified to date by Lancaster are £27,835.

Looking forwards

Future audit and inspection work

- 75 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter.
- 76 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities and develop an agreed programme by 30 May 2006.

Revision to the Code of Audit Practice

- 77 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 78 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which has been agreed with the Audit Committee in July 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

A new CPA framework

- 79 The Audit Commission is currently considering the results of the consultation on the proposals for revising the CPA framework for district councils. The revised framework will be published later in 2006 together with a proposed implementation timetable.

Closing remarks

- 80 This letter has been discussed and agreed with the Chief Executive and other senior officers. A copy of the letter will be presented at the next meeting of the Audit Committee.
- 81 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

- 82 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Mike Thomas
District Auditor and Relationship Manager
March 2006

Appendix 1 – Background to this letter

The purpose of this letter

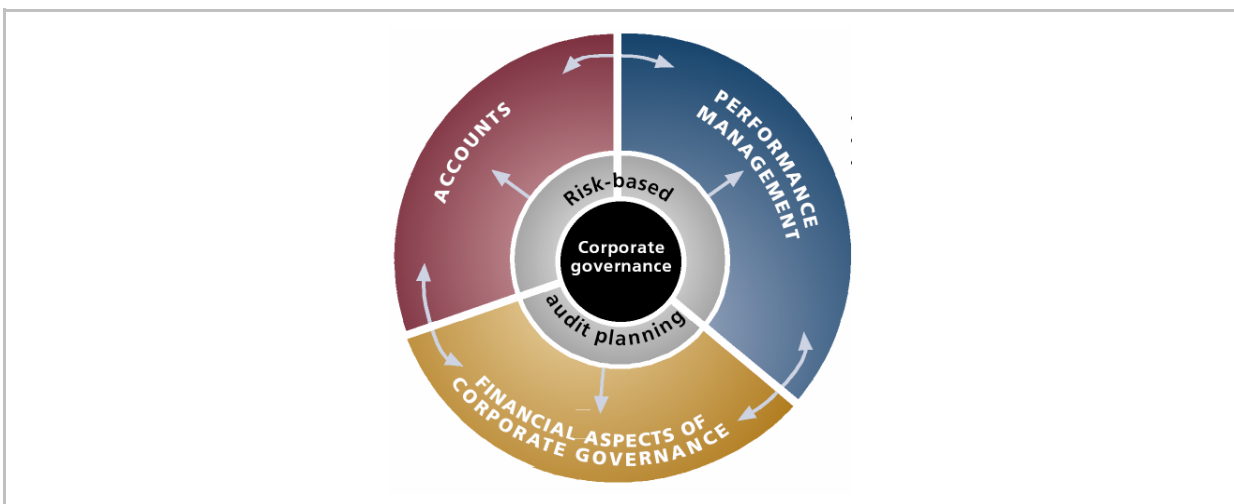
- 1 This is our audit and inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 2.

Figure 2 Code of Audit Practice

Code of practice responsibilities



Accounts

- Opinion.

Financial aspects of corporate governance

7 Reviewing how effectively the Council ensures:

- financial standing;
- systems of internal financial control;
- standards of financial conduct and the prevention and detection of fraud and corruption; and
- legality of transactions with significant financial consequences.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Inspection objectives

8 Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered;
- enable the Council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

Appendix 2 – Audit and inspection reports issued

Table 4

Report title	Date issued
Audit Plan	July 2004
Performance Management Report	March 2005
Regularity Report (Draft)	July 2005
Accessible Services Inspection	August 2005
The 'TASK' System, Review of Programme Management (Draft)	September 2005
Final Accounts Report	December 2005
Best Value Performance Plan and Performance Indicators	December 2005
Use of Resources Scores Feedback	March 2006

Appendix 3 – Audit and inspection fee

Table 5 Audit fee update

Audit area	Plan 2004/05	Actual 2004/05
Accounts	£35,135	£35,135
Financial aspects of corporate governance	£21,255	£21,255
Performance	£60,310	£60,310
Total Code of Audit Practice fee	£116,700	£116,700
Additional voluntary work (under section 35)	Nil	Nil
Total	£116,700	£116,700

Inspection fee update

The full year inspection fee is £7,900. The work reported in this audit and inspection letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years the actual fee will be in line with that planned.

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Audit Committee**Results of Internal Audit Work
26th April 2006****Report of Internal Audit Manager****PURPOSE OF REPORT**

To inform the Committee of the results of Internal Audit work for the period.

This report is public

RECOMMENDATIONS

(1) That the report is noted.

1.0 Introduction

1.1 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)

2.0 Results of Internal Audit Work to 31 March 2006

2.1 At the completion of each audit, the summary report and action plan and the summary report for each follow-up review are issued to Members for consideration. For each audit, a combined report including the Summary Report and Action Plan has also been posted on the Council's Intranet under Services→Financial Services →Internal Audit→Audit Reports.

2.2 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.

2.3 The 'headline messages' arising from the following audit reports are attached to this report as Appendix A:

New Audit Reports

<u>Audit Title</u>	<u>Report Date</u>
Financial Management	27 Jan 2006
Treasury Management	20 Feb 2006
Arnside & Silverdale A.O.N.B Unit	27 Mar 2006

Follow-Up Reviews

<u>Audit Title</u>	<u>Report Date</u>
City Centre Development & Management	06 Jan 2006
Ordering, Receiving and Payments	23 Jan 2006
Financial Management	27 Jan 2006
Vehicles & Plant	02 Feb 2006
Cash & Banking (Internet and ATP)	14 Feb 2006

3.0 Matters Arising from Audit Reviews

- 3.1 At the last meeting of the Committee (minute 20 refers), Members requested an update on progress with regard to a new payroll and human resources management system and the system interface between the Finance and NNDR computerised systems. They also requested an update on outstanding actions identified in the follow-up report relating to Contaminated Land. Following publication of the follow-up report into Vehicles and Plant on 02 February 2006, a request has also been made for an update on outstanding actions.
- 3.2 Written responses to these requests have been submitted by the Head of Financial Services, Heads of Health and Strategic Housing and Head of City Council (Direct Services respectively and these are set out in the table attached as Appendix B.
- 3.3 These matters aside, there are no significant matters to bring to the attention of the Committee arising from the conduct of the above audit reviews

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

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

▪ **Corporate Procurement Development 2005/06**

The Principal Auditor continues to play a lead role in the Procurement Strategy Group led by the Corporate Director (Central Services), and is currently covering many of the Procurement Manager's duties whilst she is on maternity leave.

In 2005/06 to date, the Principal Auditor has contributed to the continuing development of the Council's procurement arrangements through:

- Taking a lead role in the major review of the Council's procurement arrangements and the subsequent drafting of the approved Corporate Procurement Strategy and Improvement and Development Plan 2005-2008;
- Contributing to the development of a Procurement Concordat for Small and Medium Sized Enterprises in line with the relevant National Procurement Strategy milestone, and arrangements currently being made to promote the Concordat in a joint procurement event with the local Chamber of Commerce in May;
- Being instrumental in developing a business case supporting the commissioning of a service provider to carry out a detailed analysis of the Council's expenditure and supplier data. The Principal Auditor is currently acting as the Project Sponsor for this piece of work, which is seen as essential towards securing efficiency savings; meeting e-Government targets and achieving National, as well as corporate procurement actions and targets.

- Being an active representative of the Council, in the absence of the Procurement Manager, with the North West Centre of Excellence and its various procurement workstreams.

- **Corporate Project Management Methodology**

An audit of the Council's Project Management Arrangements is currently being finalised, although the main findings of the audit were reported to the Performance Management Group in February.

The report pointed out that as the nature of work in local authorities continues to change at a rapid pace increasing numbers of Council staff are finding themselves involved in challenging projects, all requiring project management skills and knowledge, and that whilst projects have, and continue to be, delivered successfully, the absence of a corporate project management methodology has resulted in some high risk projects failing to meet project objectives and being significantly over time and budget.

In light of this, it was recommended that the Council adopts a structured approach to programme/project management, based on the core principles of an established methodology, such as PRINCE2 (PRojects In Controlled Environments) developed by the Office of Government Commerce.

This was approved by the Performance Management Group and an Officer Group, led by the Head of Financial Services, and including the Principal Auditor, has been set up with the remit of delivering a project management methodology that is capable of being consistently applied to any type of project proportionate to its significance to the success of the Council, its complexity and degree of risk.

- **Performance Management/Risk Management**

Internal Audit continues to take a proactive role in the development of proposals for the 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.

- **Use of Resources Judgement**

As part of the performance assessment of local authorities, the Audit Commission has introduced the Use of Resources assessment as a transitional arrangement pending its formal inclusion within the 'Harder Test' CPA Assessments for District Councils to be introduced in 2006.

The Use of Resources assessment requires Councils to complete a self assessment and provide detailed evidence supporting the answers given for each of the Key Lines of Enquiry covering the five modules of the assessment, namely:

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

Internal Audit took a lead role in the gathering of this evidence and the completion of the self assessment, which informed the Audit Commission's Use of Resources judgement, which considers how financial management is integrated with strategy and corporate management, and how it supports Council priorities and delivers value for money. Each module was scored individually on a scale of 1 – 4 (1 being the lowest and 4 the highest), and resulted in the Council being awarded an overall score of 3 meaning that the Council is '*Consistently above minimum requirements*' and is '*performing well*'.

More details of the Audit Commission's assessment are contained within the Annual Audit and Inspection Letter.

▪ **Contract Final Account Audits 2005/06**

Internal Audit has carried out a final account audit of one engineering contract, Marsh Lancaster Safer Cycling and Walking Route, which exceeded the approved contract sum of £158,334 by some 58%, because of the addition to the contract of the cycling works at Ryelands Park, amounting to £102,612, which was approved by a variation order authorised by the former Chief Engineer. In accordance with Financial Regulations, arrangements are currently being made for a report to be submitted to Cabinet setting out the reason(s) for the overspend.

4.0 Details of Consultation

4.1 Not applicable

5.0 Options and Options Analysis (including risk assessment)

5.1 Not applicable

<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>None identified</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>None arising from this report</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>The Section 151 Officer has been consulted and has no further comments to add</p>	
<p>LEGAL IMPLICATIONS</p> <p>None arising from this report</p>	
<p>MONITORING OFFICER'S COMMENTS</p> <p>The Monitoring Officer has been consulted and has no further comments to add</p>	
<p>BACKGROUND PAPERS</p> <p>Internal Audit Files</p>	<p>Contact Officer: Derek Whiteway Telephone: 01524 582045 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/audcomm/260406</p>

Results of Internal Audit Work

1. New Audit Reports

04/0584 Financial Management (issued on 27/01/06)

Headline messages:

- Arrangements for financial management are generally good and subject to continuing improvement.
- There is visible leadership on sound financial management.
- The MTFS ensures financial targets set are achieved.
- Budget monitoring is effective.
- Links between the budget and planning processes continue to be strengthened.
- Work is ongoing to embed risk management.
- Systems/procedures for preparing and supporting the Statement on Internal Control are being developed.

05/0597 Treasury Management (issued on 20/02/06)

Headline messages:

- Loan and investment transactions are carried out in accordance with financial regulations and procedures.
- The Authority has adopted the Code of Practice on Treasury Management, and a treasury management policy statement. As required by the policy an annual treasury management strategy is also reported to Members.
- Investments are placed with approved institutions and in accordance with the limits as specified in the investment matrix.
- Procedures ensure that the best rate of interest is obtained.
- Treasury Management Records are well maintained and regular bank reconciliation are performed.
- Treasury Management performance is reported to Members on a regular basis.
- Authorisation and supervision arrangements are to be improved.

05/0602 Arnside and Silverdale A.O.N.B. Unit (issued on 27/03/06)

Headline messages:

- The A.O.N.B.'s Management Plan sets out the objectives of the AONB and the Unit works hard to achieve them.
- A more structured and streamlined approach to performance monitoring is to be developed.
- The corporate financial management system, 'Powersolve', is to be fully utilised to improve the availability of management information and reduce the current reliance on spreadsheets.
- A formal charging policy is to be introduced.
- All income and expenditure in respect of the Local Nature Reserves is to be managed under a new budget heading to improve management information, and the warden's contract arrangements are to be reviewed.
- The Limestone Heritage Project is well managed.
- Good arrangements are in place for awarding grants from the Sustainable Development Fund.
- The relationship between the Unit and its Accountable Body is to be strengthened through a protocol requiring more regular and formal communication.

Appendix A

2. Follow Up Reports

03/0537 City Centre Development and Management (06/01/06)

Key messages:

- Some progress has been made to implement actions agreed on the development of the City Centre, although this has been superseded by higher priorities and demands on resource including the introduction of the Local Development Framework and the development of the Canal Corridor North scheme.
- The development of city centre strategies is to be reviewed and re-considered in future strategic planning exercises.
- Arrangements for identifying and involving City Centre stakeholders are being reviewed through the Local Development Framework.
- A survey of city centre signage and maps in Lancaster and Morecambe has been carried out.

03/0557 Ordering, Receiving and Payments (issued on 23/01/06)

Key messages:

- An improvement and development plan has been produced to address both national and local priorities in relation to procurement. A number of the outstanding agreed actions will be addressed through the implementation plan.
- A major review of the corporate procurement strategy has been carried out and a revised strategy for 2005 – 2008 adopted.
- A Procurement Strategy Group has been established which led a three month pilot of corporate procurement card scheme involving six Council Services.
- Delays in introducing BACS payments for creditors have been experienced due to the change in Corporate Bank.
- Issues outstanding include training in procurement methods. A training programme is due to be developed following the IDeA peer challenge of Procurement (planned before April '06).

02/0496 Financial Management (issued on 27/01/06)

Key messages:

- The need to formally clarify the roles of the Corporate Director (Central Services) and the Section 151 Officer should be addressed through the Authority's current review of the management structure.
- The fast-track decision-making process has improved ensuring statutory officer comments are in place for all decisions made.
- The Authority continues to strive for improved report writing through training and guidance and improvements have been made in the time available to Financial Services to consider the financial implications of reports.
- A formal training programme for Responsible Spending Officers is to be developed along with feedback mechanisms to ensure Financial Services are proactively supporting financial management and development work across the Authority.
- The Financial Services business plan is to include a formal review programme for Financial Regulations.

04/0568 Cash and Banking (Internet and ATP) (issued on 14/02/06)

Key messages:

- Risks associated with being unable to trace where payments originated are being considered prior to implementation of any new projects involving electronic payments for miscellaneous goods and services.
- A procedure has been put into place to ensure that the Authority is notified when the payment facility is unavailable.
- A review of the cost effectiveness of the current minimum payment amount is to be completed by September 2006 and will take into consideration the costs of processing a transaction.
- Quotes for purchasing software enabling the provision of account balances and warnings that an overpayment could occur will be received and evaluated to reach a decision by the end of March 2006, implementation of this facility forming part of the Authority's IEG plan.

03/0527 Vehicles and Plant (issued on 02/02/06)

Key messages:

- The Service adopts safe working practices and every effort is made to ensure health and safety is not compromised.
- Health and safety spot checks are carried out and the results of which are to be fed into the risk assessment process.
- The risk of health and safety being compromised through insufficient procedures to ensure the safety of hired vehicles and plant is generally well managed.
- Responsibilities for checking hired vehicles and plant and associated agreements and certifications are still to be clearly defined.
- An agreed action to update the invitation to suppliers tendering for entry on the Service's select list is still to be implemented.
- Health and Safety Co-ordinators are to be appointed in line with corporate health and safety improvements. The H&S Co-ordinators role to include responsibility for initiating, carrying out, reviewing and disseminating the results of risk assessments. These roles and responsibilities are to be clearly defined and appropriate training and guidance given.
- Both security procedures and loss reporting procedures need to be developed, formally documented and disseminated throughout the Service ensuring responsibilities are understood.
- Progress has been made in ensuring the whereabouts of plant is known and vehicle allocations are recorded.

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Replacement Payroll and Human Resources Management System

Update to be provided by the Head of Financial Services

Payroll/Human Resources System replacement

At the last meeting it was reported that the timescales for replacing the current Payroll/HR systems were being reconsidered by the project group (the current system and working arrangements have internal control issues attached, although this has been the case for several years). A target implementation date of January 2008 has now been agreed; this is in recognition of the need to move forward on weekly to monthly pay and to progress job evaluation, with the updating (and simplification of) the Council's pay structures and policy. Whilst this will mean that the internal control issues are not resolved quickly, there may be some scope to address them partly through different means and changing the working arrangements and practices within the Exchequer section; this will be explored.

Finance and NNDR System Interfaces

At the last meeting Members also queried the progress being made on the interfaces between the Finance IT system and the National Non Domestic Rates system. These links have not yet been completed, mainly due to competing work pressures for both Financial and Information Services; year end/closure of accounts is now taking priority. Progress on the interfaces and other outstanding similar tasks is being monitored through joint meetings between Finance and Information Services, however, and this will feed through into the quarterly performance review meetings.

Contaminated Land – Internal Audit Job No: 03/0538

Update provided by the Head of Health and Strategic Housing

The Council has interests in contaminated land both in service delivery and as a landowner. In relation to service delivery, the Council is the primary regulator of contaminated land but also has important roles through development control and building control.

An internal audit was conducted early in 2004 to examine the controls already in place and the further actions required to safeguard the Council's interests. A plan of agreed actions was produced as a result of the audit and progress against these actions was audited in July 2005.

The following table documents progress since the follow-up audit and the current stage of implementation. Progress has been made against most actions with several being fully implemented. However in some areas progress has been slower than expected due simply to heavy workload and competing demands. The greatest demands have been for specialist work to assist Development Control with planning applications and the pressing need to manage land contamination risks associated with the Council-owned site at Middleton Wood.

Progress against actions involving inter-service working arrangements has been slow. It is apparent that, when short deadlines were agreed for completion of actions 006354, 006356 and 006367 the scale of the work was not fully recognised. In fact steady progress has been made in raising awareness levels, running training sessions and developing appropriate corporate processes with individual Services. In some ways the Council is already relatively well advanced compared to other local authorities.

The reasons stated for slow or no progress are underlain generally by inadequate specialist staffing capacity to meet contaminated land demands and priorities. This matter has been raised in Star Chamber and Budget & Performance Panel.

Contaminated Land – Internal Audit Job No: 03/0538

Audit Ref.	Agreed Action	Status At Last Review	Progress Since Last Review	Current Status	Comments
006338	<p>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:</p> <ul style="list-style-type: none"> - 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. 	In process of being implemented	Steady progress	In process of being implemented	Steady progress by Environmental Health and Building Control. A regional working group is developing key documents that will be needed to deliver fully against this action.
006341	<p>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.</p>	In process of being implemented	Completed	Fully implemented pending an update required to address changes in legislation due in April 2006.	
006342	<p>Resource requirements will be reviewed annually and reports will be fed into the budget process as appropriate.</p>	Fully implemented	None required	Fully implemented	Resource requirements have been reviewed and a substantial shortfall in capacity remains evident. This has been reported at Star Chamber and Budget & Performance Panel. No solution has been identified and this matter is likely to be raised in the next budget round in Autumn 2006.

Appendix B

Audit Ref.	Agreed Action	Status At Last Review	Progress Since Last Review	Current Status	Comments
006356	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.	In process of being implemented	Slow but steady progress	In process of being implemented	Intermediate stages of this action involve Environmental Health working to support other services in awareness raising, training and developing documented systems.
006354	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.	Partially implemented	No change	No change	Implementation is partially dependant on completion of action required for 006356 (item 4 above).
006370	The costs and benefits of educating the public, businesses etc. on contaminated land issues to promote responsible land ownership will be considered.	Partially implemented	No change	Partially implemented	The follow-up audit noted that "There are currently no resources to implement this agreed action as all existing resources are engaged on statutory duties". This remains the case.
006362	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.	In process of being implemented	Steady progress	In process of being implemented	This action has involved developing a solution that provides secure and easy access to complex information via specialist technology without the need for retraining staff. Completion is expected shortly.
006367	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.	Still to be implemented	No change	Still to be implemented	Implementation is dependant on completion of action required for 006356 (item 4 above).
006369	Formal confirmation on the adequacy of back-up procedures will be sought.	Partially implemented	Completed	Fully implemented	

Audit Ref.	Agreed Action	Status At Last Review	Progress Since Last Review	Current Status	Comments
006379	<p>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.</p>	<p>In process of being implemented</p>	<p>Steady progress</p>	<p>Partially implemented</p>	<p>The Council's information systems have been strengthened and corporate processes for managing responses to environmental information requests are being developed.</p>
006380	<p>A register of information to and from the Environment Agency will be maintained, the scope of the register to be documented.</p>	<p>Partially implemented</p>	<p>Completed</p>	<p>Fully implemented</p>	
006376	<p>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.</p>	<p>Still to be implemented</p>	<p>Slow progress</p>	<p>Still to be implemented</p>	<p>Work is in progress to obtain specialist legal advice. Internal staffing resources are insufficient to deliver full information on the potential sites of concern within the Council's own land holdings. In addition the resources needed for a specialist risk management study are not available within existing budgets.</p>

Vehicles and Plant – Internal Audit Job No 03/0527

Update provided by the Head of City Council (Direct) Services

Audit Ref.	Agreed Action	Status At Last Review	Progress Since Last Review	Current Status	Comments
006172	Loss reporting procedures will be clearly defined and will include responsibilities regarding informing the Insurance Officer in Financial Services.	Agreed action is still to be implemented	Completed	Fully implemented	This has now taken place and the Fleet Manager is responsible for updating procedures.
006115	Responsibilities for initiating, carrying out, reviewing and disseminating the results of risk assessments will be clearly defined.	Agreed action is still to be implemented	Completed	Fully implemented	In place
006152	Wherever possible signage will be placed at plant issue points reminding employees of their responsibility to carry out safety checks prior to use. The standard forms for recording vehicle safety checks upon taking responsibility for a different vehicle will be fully utilised across the Service.	Agreed action is still to be implemented	Steady progress	In process of being implemented	Plant is only issued to staff who are trained to use it. Standard forms for recording vehicle safety checks have been revised by the Fleet Manager and being rolled out across all service areas.
006317	The Service will develop contingency plans for emergencies (e.g. fuel strike) which may affect service delivery and communicate roles and responsibilities to appropriate staff.	Agreed action is still to be implemented	Completed	Fully implemented	Included within business continuity planning exercise.
006099	The Service specific Health and Safety policy will be updated on an ongoing basis and made available to all employees, evidenced through signatures.	Agreed action is still to be implemented	Ongoing	Ongoing	Health and safety policy to be reviewed on an annual basis (ongoing) and made available on intranet (June 2006)
006165	The Service will develop, and make employees aware of, documented security procedures which outline responsibilities.	Agreed action is still to be implemented	Completed	Fully implemented	The area of concern here was grounds maintenance and a system has now been put in place.

Appendix B

Audit Ref.	Agreed Action	Status At Last Review	Progress Since Last Review	Current Status	Comments
006123	<p>Invitations to suppliers tendering for entry on the Service's select lists will include the requirements that suppliers are responsible for maintenance, ensuring all plant supplied conforms with the Supply of Machinery (Safety) Regs. 1992 or PUWER as appropriate and is accompanied by the appropriate certification.</p>	<p>Agreed action is still to be implemented</p>	<p>No change</p>	<p>Still to be implemented</p>	<p>Will be built into future invitations to tender.</p>

Audit Committee**Good Governance Standard Self-Assessment
26th April 2006****Report of Corporate Director(Finance & Performance)****PURPOSE OF REPORT**

To provide the Committee with a self assessment against the Good Governance Standard for Public Services to enable a decision on whether the Standard should be adopted.

This report is public

RECOMMENDATIONS

- (1) **That the Good Governance Standard for Public Services be used as a self assessment tool in the preparation of the Council's annual Statement on Internal Control and Corporate Governance.**

1.0 Introduction

- 1.1 On 16th June 2005 the Standards Committee requested that officers research the implications of implementing the Good Governance Standard for Public Services and report to both the Standards and the Audit Committees.

2.0 Proposal Details

- 2.1 The Good Governance Standard for Public Services was produced by an Independent Commission promoting good governance in all public service organisations. The guidance, which Authorities are recommended to adopt, supplements statutory and best practice codes and protocols and provides a means to assess strengths and weaknesses with a view to making improvements.
- 2.2 The Standard is not only concerned with good standards of behaviour and conduct but the wider issues of corporate governance.
- 2.3 Internal Audit, as part of a scheduled annual review of Corporate Governance has completed a self assessment against the Standard, a copy of which is appended to this report. The self-assessment is in two parts, the first part in Table A being an "Assessment questions for governors and governing bodies to ask themselves". The second part, in Table B covers "Questions for members of the public and their representatives to ask if they want to assess and challenge standards of governance" These questions have been answered in-house as independently as possible to provide a test of openness and responsiveness to the public and service users.

- 2.4 The self-assessment questions are taken directly from the Standard and the 'key elements' listed alongside each are the Authority's documents and processes which contribute to meeting the standards set. An evaluation of the current position against each question is provided identifying potential avenues for improvement.
- 2.5 The assessment shows that the Authority has a clear purpose and decisions are well informed. Roles and responsibilities are clearly defined and the values of good governance are promoted through behaviour. The assessment highlights there have been significant improvements in the last year surrounding customer focus and consultation, performance management and risk management.
- 2.6 Work is already ongoing (partly as a result of previous reviews of corporate governance) to address the majority of action areas. The principles of corporate governance are intrinsic to the production of the Council's annual Statement on Internal Control and Corporate Governance (SIC&CG) and the basis of the self assessment already forms part of the database used to evaluate the Authority's systems for internal control in preparation for writing the annual statement. It is felt that formally adopting the Good Governance Standard itself would probably lead to duplication of work. Furthermore, the Council has set up arrangements to ensure that it adheres to its statutory responsibilities in respect of governance.
- 2.7 The Good Governance Standard is aimed at all public service organisations and as such, some criteria are not readily applied to a local authority such as Lancaster. Nevertheless, the Standard is considered to be a helpful self assessment tool which can usefully be referred to in annual preparations for the SIC&CG.

3.0 Details of Consultation

- 3.1 Not applicable

4.0 Options and Options Analysis (including risk assessment)

4.1 Option 1 - Adopt the Good Governance Standard

- 4.1.1 Adoption of the Good Governance Standard would demonstrate the Council's commitment to achieving high standards in governance and conduct. The standard itself could be used on a regular basis (say annually) for monitoring and reappraisal purposes.
- 4.1.2 It should be recognised that the elements covered in the standard are already, or are currently being, built in to the Council's Internal Control and Corporate Governance Framework, which is reviewed annually in the production of the annual Statement on Internal Control and Corporate Governance.

4.2 Option 2 - Use the Standard to supplement/inform existing processes

- 4.2.1 The Standard provides a very useful and up to date reference for corporate governance. It is a helpful self assessment tool which can usefully supplement existing review arrangements and be referred to in annual preparations for the SIC&CG.

4.3 Officer Preferred Option and Justification

- 4.3.1 As the key elements of the Standard are already built in to the existing Internal Control and Corporate Governance Framework, option 2 is preferred to avoid unnecessary and potentially confusing duplication.

5.0 Conclusion


5.1 The completion of the self-assessment has highlighted the Council's strengths in many areas of the Standard, and has served to identify or confirm potential areas for improvement. By incorporating the Standard into its existing framework, the Council can expect to continue to improve the effectiveness of its Corporate Governance arrangements.


<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>None identified</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>None arising from this report</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>The Section 151 Officer has been consulted and has no further comments to add</p>	
<p>LEGAL IMPLICATIONS</p> <p>None arising from this report</p>	
<p>MONITORING OFFICER'S COMMENTS</p> <p>The Monitoring Officer has been consulted and has no further comments to add</p>	
<p>BACKGROUND PAPERS</p> <p>The Good Governance Standard for Public Services Standards Committee 16th June 2005 - Minute 14</p>	<p>Contact Officer: Derek Whiteway Telephone: 01524 582045 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/audcomm/260406</p>


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GOOD GOVERNANCE STANDARD – SELF ASSESSMENT



TABLE A - Assessment questions for governors and governing bodies to ask themselves


QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>1. Good governance means focusing on the organisation’s purpose and on outcomes for citizens and users</p> <p>1.1 How clear are we about what we are trying to achieve as an organisation? Do we always have this at the front of our minds when we are planning or taking decisions? How well are we doing in achieving our intended outcomes?</p>	<p>Corporate aims and objectives in Corporate Plan Corporate Improvement Plan Overview and Scrutiny function and call-in procedures Financial planning and budget linked to priorities – Medium Term Financial Strategy Star Chamber reviews spending, VFM etc. in line with Corporate priorities Business Plans linked to Corporate Plan and progress monitored/reviewed Performance Management Framework (PMF) in the process of being implemented and includes management/member review Escendency PM system in the process of being implemented, objectives, performance measures etc. linked to corporate objectives through a hierarchy BVPP Annual Audit Letter 2004/05</p>	<p></p>	<p>Action ongoing to implement PMF and Escendency Ensure aims/priorities per the Corporate Plan are effectively integrated into Service Business Plans Ensure the Corporate Improvement Plan is up-to-date and includes all significant actions arising from statutory inspections etc. The Plan to be readily available, responsibilities per the Plan accepted and delivered by the target date, progress being monitored through the PMF</p>



QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>1.2 To what extent does the information that we have about the quality of service for users help us to make rigorous decisions about improving quality?</p> <p>Do we receive regular and comprehensive information on users' views of quality?</p> <p>How could this information be improved?</p> <p>How effectively do we use this information when we are planning and taking decisions?</p>	<p>Improving through implementation of the PMF, Escendency and Corporate Consultation Strategy also being implemented</p> <p>Consultation built into the budget and policy framework and results used to inform priorities</p> <p>Corporate complaints procedure</p> <p>Customer Care Charters/standards in place for some service areas</p> <p>Tenant forums etc. for Council Housing Services</p> <p>Communications Strategy</p> <p>Improvements made through use of Customer Services Centre e.g. bulky waste collections</p> <p>Results of consultation built into reports to members where appropriate thus informing the decision-making process</p> <p>BVPP</p>		<p>Develop a systematic approach to wide ranging consultation to inform and improve service delivery</p> <p>Publish comprehensive, challenging and measurable service standards</p> <p>Ensure feedback on service delivery informs day-to-day operational decisions as well as strategic decisions evidenced through a clear audit trail</p> <p>Ensure consultation and any feedback effectively feeds into the PMF</p> <p>Develop easily accessible results for all consultation undertaken and provide evidence of the information gathered being used to inform the decision-making process</p>



QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>1.3 To what extent does the information that we have on costs and performance help us to make rigorous decisions about improving value for money?</p> <p>How effectively do we use this information when we are planning and taking decisions?</p> <p>How well do we understand how the value we provide compares with that of similar organisations?</p>	<p>Corporate approach not in place though improving through implementation of the PMF and Escendency</p> <p>Star Chamber process challenges costs against performance/objectives and promotes benchmarking</p> <p>Budget and Performance Panel responsible for carrying out Overview and Scrutiny for the Council's budget and performance at strategic and service level</p> <p>Understanding of value provided compared to other organisations varies from Service to Service - e.g. Planning Delivery Grant for Planning and Building Control, Services taking part in benchmarking groups etc.</p> <p>VFM considered as an integral part of audit reviews</p>		<p>Develop cost-effective PIs to measure performance and drive improvement across the Authority through the implementation of Escendency</p> <p>Performance to be linked to costs and informed by customer satisfaction</p> <p>Develop and evidence challenge mechanisms through benchmarking, consideration of outsourcing etc.</p>

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
2. Good governance means performing effectively in clearly defined functions and roles			
<p>2.1 Do we all know what we are supposed to be doing?</p>	<p>Constitution – executive roles and those of senior officers defined Constitution, Corporate Plan and other key documents available on the website/Intranet Induction training for officers and Members Job descriptions and EDPAs, the latter linked to corporate priorities/business plans through new PMF Cascade Team Briefings, staff briefings, Intranet etc. Legal library maintained by Legal Services</p>		<p>Ensure all principal responsibilities and statutory obligations are documented and effectively disseminated Improve the structure of the Intranet to ensure clarity (e.g. what constitutes a corporate document as opposed to a service document) and regularly review content Introduce a Corporate standard for documents to include a document date, author or responsible officer, approving body if applicable (e.g. Council) and proposed review date</p>
<p>2.2 Is our approach to each of the governing body's main functions clearly set out and understood by all in the governing body and the senior executive? What does the size and complexity of our organisation mean for the ways in which we approach each of the main functions of governance?</p>	<p>Constitution including Financial Regs. Committee agendas and minutes Service procedure manuals Principles of Corporate Governance built into the Statement on Internal Control (SIC) database used to evaluate the Council's position prior to producing the annual SIC</p>		<p>Raise officer and Member awareness of the principles of corporate governance through appropriate training Improve arrangements for monitoring compliance with the principles of corporate governance through strengthening the role of the Audit Committee. The results of monitoring to inform the SIC</p>



QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>2.3 How clearly have we defined the respective roles and responsibilities of the non-executives and the executive, and of the chair and the chief executive?</p> <p>Do all members of the governing body take collective responsibility for the governing body's decisions?</p>	<p>Roles and responsibilities set out in the Constitution</p> <p>Overview and Scrutiny function</p> <p>Standards Committee</p> <p>Appraisal Panel</p> <p>Annual Audit Letter 2004/05</p>		
<p>2.4 How well does the organisation understand the views of the public and service users?</p> <p>Do we receive comprehensive and reliable information about these views and do we use it in decision making?</p>	<p>Members serving their constituents</p> <p>Implementation of Consultation Strategy</p> <p>Consultation built into budget and policy framework and informing corporate priorities</p>		<p>See 1.2</p>



QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour</p>	<p>3.1 What are the values that we expect the staff to demonstrate in their behaviour and actions? How well are these values reflected in our approach to decision making? What more should we do to ensure these values guide our actions and those of staff?</p>		<p>Introduce a formal review programme for the Codes of Conduct and more regular promotion amongst staff</p>
<p>Codes of Conduct for Officers Member and Officer Protocol Compliance with legislation Disciplinary Policy and Procedure Capability Policy Probationary periods Setting personal objectives through the EDPA Scheme Corporate values in Corporate Plan including 'equality of opportunity' Registers of Interests, Gifts and Hospitality Anti-Fraud and Corruption Policy Annual Audit Letter 2004/05</p>			



QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>3.2 In what ways does our behaviour, collectively as a governing body and individually as governors, show that we take our responsibilities to the organisation and its stakeholders very seriously?</p> <p>Are there any ways in which our behaviour might weaken the organisation's aims and values?</p>	<p>See 3.1 Members Code of Conduct Standards Committee</p>		
<p>4. Good governance means taking informed, transparent decisions and managing risk</p>			
<p>4.1 How well do our meetings work?</p> <p>What could we do to make them more productive and do our business more effectively?</p>	<p>Constitution Decision making process guidelines Key decisions – forward plan Registers of Interests, Gifts and Hospitality Agendas and minutes</p>		<p>The decision-makers, especially Council, to engage more with the public</p>




QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>4.2 Have we formally agreed on the types of decisions that are delegated to the executive and those that are reserved for the governing body?</p> <p>Is this set out in a clear and up-to-date statement?</p> <p>How effective is this as a guide to action for the governing body and the executive?</p> <p>How well do we explain the reasons for our decisions to all those who might be affected by them?</p>	<p>See 4.1</p> <p>Published reports include the reason for the decision</p> <p>The Performance Review Group receives a quarterly report monitoring the implementation of executive decisions, outstanding actions from the previous report included</p>		
<p>4.3 Is the information we receive robust and objective?</p> <p>How could the information we receive be improved to help improve our decision making?</p> <p>Do we take professional advice to inform and support our decision making when it is sensible and appropriate to do so?</p>	<p>Standard report format</p> <p>Decision making template</p> <p>Report writing guide</p> <p>Statutory officer comments/ impact assessments in reports</p> <p>Report approval by Management Team to proceed for Member consideration</p> <p>Overview and scrutiny function</p>		

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>4.4 How effective is the organisation's risk management system?</p> <p>How do we review whether this system is working effectively?</p> <p>Do we develop an action plan to correct any deficiencies in the systems and, if so, do we publish this each year?</p>	<p>Risk Management Strategy</p> <p>Risk Management champions</p> <p>Risk Management Steering Group</p> <p>Risk and Insurance Manager in post</p> <p>Risk management in the process of being embedded, progress and work plan being regularly reported to the Audit Committee</p> <p>'Options and Options Analysis (including risk assessment)' section in committee reports</p> <p>Risk register under development includes key corporate risks and officers responsible for managing the risks</p> <p>Risk register provides for 'potential impact' assessment</p> <p>Risk treatment plans built into risk register</p> <p>Internal Audit takes risk based approach reporting to Audit Committee. Reports include action plans</p> <p>Audit Committee responsible for risk management and receiving quarterly reports</p> <p>Effectiveness of risk management reported in the SIC and significant issues arising built into the Corporate Improvement Plan</p> <p>External reviews of risk management through CPA & UOR</p> <p>Annual Audit Letter 2004/05</p>		<p>Continue to implement the work plans for embedding risk management reported to the Audit Committee</p> <p>Identify all key risks and put in place processes to monitor management of the risks on an ongoing basis</p> <p>Regularly, and at least annually, review risks at service and operational levels</p> <p>Ensure processes are in place to identify new and emerging risks and to assign management of them</p> <p>Ensure processes are in place to test the robustness of risk assessments</p> <p>Continue to develop reporting to Members on risk</p>

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
5. Good governance means developing the capacity and capability of the governing body to be effective			
<p>5.1 What skills have we decided that governors must have to do their jobs effectively?</p> <p>How well does our recruitment process identify people with the necessary skills and reach people from a wide cross-section of society?</p> <p>What more could we do to make sure that becoming a governor is practical for as many people as possible?</p>	<p>Member training and induction</p> <p>Members Allowance Scheme including a Carer's Allowance</p>		<p>Political groups to consider the part they play in meeting the Standard through their selection procedures</p>
<p>5.2 How effective are we at developing our skills and updating our knowledge?</p> <p>How effective are our arrangements for reviewing the performance of individual governors?</p> <p>Do we put into practice action plans for improving our performance as a governing body?</p>	<p>Corporate training programme</p> <p>Needs/performance assessed through EDPAs</p> <p>Implementation of PMF</p> <p>External reviews – Audit Commission, IDeA etc. with actions built into Corporate Improvement Plan as appropriate</p>		<p>See 1.1 and 1.3</p>

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>5.3 What is our approach to finding a balance between continuity of knowledge and renewal of thinking in the governing body? What are our reasons for this approach? Do we need to review it?</p>	<p>Tied by electoral system Constitution setting out responsibilities/Terms of reference for Committees etc. Member training</p>		<p>No action identified the situation largely out of the Authority's control</p>
<p>6. Good governance means engaging stakeholders and making accountability real</p>			
<p>6.1 Who are we accountable to and for what? How well does each of these accountability relationships work? Do we need to take steps to clarify or strengthen any relationships? Do we need to negotiate a shift in the balance between different accountability relationships?</p>	<p>Members to electorate The responsibilities of decision-makers set out in the Constitution Community, customers and stakeholders Implementation of Consultation Strategy Complaints procedure Council Housing Tenant Forums Partnership Boards Annual Audit letter 2004/05</p>		<p>Consider ways to improve public engagement in decision-making (e.g. through more accessible meetings, public 'questiontimes' etc.)</p>

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>6.2 What is our policy on how the organisation should consult the public and service users? Does it explain clearly the sorts of issues on which it will consult which groups and how it will use the information it receives? Do we need to review this policy and its implementation?</p>	<p>Consultation Strategy in the process of being relaunched Service consultation champions identified Budget and Policy Framework and consultation informing corporate priorities communicated in Corporate Plan, press and leaflet sent out with council tax bills Comments and complaints procedures Tenants satisfaction survey Annual Audit letter 2004/05</p>		<p>Develop a clear consultation policy and publish a forward plan of issues to be consulted upon</p>
<p>6.3 What is our policy on consulting and involving staff and their representatives in decision making? Is this communicated clearly to staff? How well do we follow this in practice? How effective are systems within the organisation for protecting the rights of staff?</p>	<p>Consultation and Negotiation Protocol Joint Consultative Committee Cascade team briefings Speak easy Corporate Staff Briefings Forward Plan of Key Decisions Intranet EDPAs Member and Officer Protocol Whistleblowing Policy and Code of Practice Disciplinary Policy and Procedure Equal Opportunities Policy</p>		<p>Produce an annual Forward Plan of Key Decisions in line with the Consultation Strategy and make better use of the Intranet to engage staff and their representatives</p>

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>6.4 Who are the institutional stakeholders that we need to have good relationships with?</p> <p>How do we organise ourselves to take the lead in developing relationships with other organisations at the most senior level?</p>	<p>LSP West End Partnership Community Safety AONB Grant providers Regeneration partnerships Parish Councils Voluntary and Social Enterprises Chamber of Commerce Lancaster University and St. Martins College External inspectors etc. – e.g. Audit Commission, IDeA</p>		<p>Develop community engagement and leadership in partnerships</p>
<p>Applying the good governance Standard</p>			
<p>A. To what extent does the Good Governance Standard for Public Services apply to our organisation, bearing in mind its type and size?</p>	<p>The Council adheres to its statutory responsibilities in respect of governance. The Standard is aimed at all public service organisations and as such it is difficult to apply some questions to a local authority. Nevertheless the Standard is considered a useful self assessment tool.</p>		<p>Carry out an annual self assessment against the Standard in preparation for writing the SIC</p>
<p>B. Are we upholding and demonstrating the spirit and ethos of good governance that the Standard sets out to capture?</p>	<p>Completion of this self assessment suggests that we are close to fully implementing the Standard</p>		<p>Address the action areas set out in this document through work in preparation for the SIC</p>



















QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>C. Do we have a process for regularly reviewing our governance arrangements and practice against the Standard? What further improvements do we need to make?</p>	<p>See A</p>		<p>See A</p>
<p>D. Are we making public the results of our reviews and our plans for future improvements and are we inviting feedback from stakeholders and service users?</p>	<p>Public agendas and minutes are published on the Intranet and Website 'Consultationfinder', in the process of being introduced, provides a means of implementing this a standard</p>		<p>Continue implementation of the 'Consultationfinder' system</p>




TABLE B - Questions for members of the public and their representatives to ask if they want to assess and challenge standards of governance
Questions answered in-house to test of openness and responsiveness to the public and service users




QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users			
1.1 What is this organisation for?	Corporate Plan/Council's role aims and priorities on website		
1.2 Can I easily find a clear explanation of what this organisation is doing?	Available on website: Corporate Plan A Cultural Strategy for the Lancaster District Lancaster District Regeneration Strategy Morecambe Resort Action Plan Housing Strategy 2002-2006		A clear explanation of how the key documents are related
1.3 Can I easily find out about the quality of service provided to the public?	BVPP available on website What is being done to improve services? Press releases Corporate Plan		Continue to develop, through Access to Services, specific service standards setting out what the public can expect and what staff are expected to deliver.





QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
1.4 Can I easily find out about the organisation's funding and how it spends its money?	Council Tax Leaflet Press Release 2006/07 Council Tax Rate Annual Statement of Accounts on website		Develop a Finance page on the website to include key financial documents (e.g. the Medium Term Financial Strategy, Budget Summary, Accounts Summary etc.)
2. Good governance means performing effectively in clearly defined functions and roles			
2.1 Who is in charge of the organisation?	Leader of the Council Chief Executive – Head of Paid Service		
2.2 How are they elected or appointed?	Leader of the Council – elected Chief Executive - appointed		
2.3 At the top of the organisation, who is responsible for what?	Responsibilities set out in the Constitution		
3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour			
3.1 According to the organisation, what values guide its work?	Core values set out in Corporate Plan on website Compliance with legislative frameworks (e.g. Equal Opportunities, Disability Discrimination Act etc.) Constitution including Standing Orders, Codes of Conduct etc.		

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
3.2 Does it follow these values in practice?	Disciplinary Policy and Procedure Standards Board Legal challenges		
3.3 What standards of behaviour should I expect?	Comments, Complaints and Reporting Suspected Fraud and Misconduct section of website Codes of Conduct for Officers and Members in Constitution on website Corporate values in Corporate Plan including 'equality of opportunity' Citizen's rights in dealing with Council on website Internal policies and procedures – e.g. Disciplinary Policy and Procedure Registers of Interests, Gifts and Hospitality Anti-Fraud and Corruption Policy Annual Audit Letter 2004/05		
3.4 Do the senior people in the organisation put these standards of behaviour into practice?	Number of complaints, frauds, reports to Standards Committee and investigations in accordance with the Disciplinary Policy and Procedure Ombudsman Annual Letter and Report		

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
3.5 Do they put into practice the 'Nolan' principles for people in public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)?	See 3.4		
4. Good governance means taking informed, transparent decisions and managing risk			
4.1 Who is responsible for what kinds of decisions in the organisation?	Set out in the Constitution		
4.2 Can I easily find out what decisions have been taken and the reasons for them?	'Modern.gov' system Press releases		Continue implementation of the 'Modern.gov' system including the forward plan module, member websites etc. Develop information provided on the website in relation to partnerships
4.3 Are the decisions based on up-to-date and complete information and good advice?	Report format and report writing guidance, reports containing Statutory Officer comments		
4.4 Does the organisation publish a clear annual statement on the effectiveness of its risk management system?	SIC included in Annual Statement of Accounts on website		

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>4.5 Does the organisation publish a clear annual account of how it makes sure that its policies are put into practice? Is the statement reassuring? How does it compare with my own experience?</p>	<p>SIC included in Annual Statement of Accounts on website Annual executive reports Overview and Scrutiny year end report</p>		
<p>5. Good governance means developing the capacity and capability of the governing body to be effective</p>			
<p>5.1 How does the organisation encourage people to get involved in running it?</p>	<p>Consultation Tenant Forums/ Tenant audits Local Democracy Week/Pupil Power Deep cleanse initiative Overview and Scrutiny Committee and Task Groups invite attendees The Constitution provides for the public presenting petitions and addresses and to ask questions having given prior notice</p>		<p>See Table A 1.2 and 6.2</p>
<p>5.2 What support does it provide for people who do get involved?</p>	<p>Pays expenses where appropriate Allows access to officers/Members and information</p>		

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
<p>5.3 How does the organisation make sure that all those running the organisation are doing a good job?</p>	<p>Standards Committee Overview and Scrutiny Committee Budget and Performance Panel Audit Committee Appraisal Panel EDPAs PMF developing</p>		
<p>6. Good governance means engaging stakeholders and making accountability real</p>			
<p>6.1 Can I easily get information to answer all these questions?</p>	<p>Situation improved since last year Provision of 'info@lancaster' e-mail facility Compliance with the Freedom of Information Act Publication Scheme in place Information Management Officer in post 'Modern.gov' system</p>		
<p>6.2 Are there opportunities for me and other people to make our views known?</p>	<p>Comments, Complaints and Reporting Suspected Fraud and Misconduct section of website Consultation exercises</p>		

QUESTION	L.C.C.'S KEY ELEMENTS	CURRENT POSITION	ACTION AREAS
6.3 Does the organisation publish an annual report containing its accounts for the year? Are copies freely available? Is the content informative?	Annual Statement of Accounts on website		
6.4 How do I find out what decisions were taken as a result of my and others' opinions being asked for?	Reports published through the 'Modern.gov' system 'Consultationfinder' system currently being developed Press releases		Continue implementation of 'Consultationfinders'
6.5 Are there opportunities to question the people in charge about their plans and decisions?	Citizen's Rights under Constitution Section of website Consultation exercises Complaints procedure Cabinet 'Questiontime' Provisions to ask questions etc. per the Constitution Member surgeries		See Table A 6.1
6.6 Can I easily find out how to complain and who to contact with suggestions for changes?	Comments, Complaints and Reporting Suspected Fraud and Misconduct Section of website		

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Audit Committee**Internal Audit Annual Plan 2006/07
26th April 2006****Report of Internal Audit Manager****PURPOSE OF REPORT**

To seek the Committee's approval for the proposed Internal Audit Annual Plan for 2006/07

This report is public

RECOMMENDATIONS

(1) **That the Internal Audit Annual Plan is approved**

1.0 Introduction

1.1 The terms of reference of the Audit Committee include: *To approve Internal Audit strategic plans and the Annual Internal Audit Plan* (the Constitution, part 3 section 7).

1.2 The proposed Internal Audit Annual Plan for 2006/07 is attached as **Appendix A**.

2.0 Proposal Details**2.1 Context and Objectives**

2.1.1 The context and key objectives of the 2006/07 plan are summarised in the following table:

Objective	How?	Specific Areas of Work
<p>1. Assurance on the Internal Control and Corporate Governance Frameworks, which include arrangements for the following:</p> <ul style="list-style-type: none"> • Financial Management • Performance Management • Legality • Risk Management • Standards of Conduct • Community Focus and Leadership 	<ul style="list-style-type: none"> • Conducting specific audit assignments to consider and provide an opinion on the effectiveness of arrangements • Producing an annual report providing an opinion on the effectiveness of the Internal Control & Corporate Governance Framework“ 	<ul style="list-style-type: none"> • Programme of work to complete financial systems documentation and risk registers • Assurance work on key risks/controls in financial systems • Evaluation of targeted aspects of performance management (e.g. specific PIs) • A programme of audits based on identified/emerging areas of high business risk. • Maintaining, updating and developing the use of the Internal Control & Corporate Governance database.
<p>2. Contribute to the ongoing development of risk management</p>	<ul style="list-style-type: none"> • Helping develop corporate and Service-level arrangements • Helping disseminate good practice and develop understanding of risk management 	<ul style="list-style-type: none"> • Assisting with the development of corporate and Service risk registers • Reporting to and developing the Audit Committee’s role in reviewing risk management. • Considering risk management within the Council’s partnership arrangements
<p>3. Contribute to the Council’s improvement programme</p>	<ul style="list-style-type: none"> • Support and advise management in implementing key initiatives/strategies 	<ul style="list-style-type: none"> • Procurement Strategy • Project Management • Civil Contingencies • Job Evaluation
<p>4. Contribute to the achievement of efficiencies and Value For Money</p>	<ul style="list-style-type: none"> • Help with the development of systems and techniques for identifying, implementing and monitoring potential efficiency programmes. • Contributing to/reviewing specific efficiency programmes/initiatives 	<ul style="list-style-type: none"> • Review of arrangements, focussed on identifying and evaluating examples of best practice in obtaining VFM. • Review of selected initiatives/projects • Participate in relevant project teams
<p>5. Combat fraud and corruption</p>	<ul style="list-style-type: none"> • Providing assurance that the Council’s policies are up to date and effective and that significant risks are well managed. • Providing an investigation service 	<ul style="list-style-type: none"> • Reviewing corporate policies (including Whistleblowing) • Reviewing existing risk assessments • A programme of audits focussed on identified/emerging high risk areas. • Specific fraud related investigations as necessary
<p>6. Help maintain and promote high standards of internal control and governance</p>	<ul style="list-style-type: none"> • Provide an accessible advice service to managers and elected members 	

2.2 Proposals

2.2.1 Taking account of these objectives, and the trends experienced in recent years' audit plans, the following table sets out the proposed approach to the areas of work included in the plan.

Area of Work	Recent Trend	Proposals for 2006/07 Plan
Financial Systems	Changes within the Audit Commission's Code of Practice have placed greater emphasis on the Council's documentation and evaluation of financial systems. Good progress made with this work in 2005/06.	Some documentation still to be completed 2006/07. This work is leading to a more focussed audit approach to providing assurance on the reliability of financial systems.
Operational Audits	Following a lower priority in 2005/06, greater emphasis will return to operational audits as the control framework and risk management processes become more firmly established.	Increased resources, the programme reflecting corporate priorities and cyclical risk-based plans.
Computer Audit	Arrangements made in 2005/06 with Lancashire County Council Internal Audit Service to undertake a joint review of Information Security.	Scope for further collaboration with Lancashire CC is to be explored. Same levels of resource planned.
Management Arrangements	The Council has made significant improvements, as witnessed by recent Use of Resources and Direction of Travel judgements.	A wide programme, concentrating on corporate priorities, and contributing to the Council's improvement plan.
Advice & Support Work	Slight increase in levels of ad-hoc advice. Increased unscheduled support work in 2005/06, mainly arising from involvement in Use of Resources self-assessment.	Increase on previous levels
Efficiency & Value For Money	Increasing focus on the efficiency and VFM agenda	Allocate resources to contribute to the development of arrangements for efficiency & VFM.
Non Audit Work	Now minimal impact – limited to the Internal Audit Manager's role as Deputy s151 Officer	Maintain existing levels
Planning and Monitoring	Stable	Retain existing levels
Contingencies	Investigation work limited to those of a financial nature and has been much more manageable.	Internal Audit will continue to provide an investigation service for suspected financial irregularities.

2.2.2 Overall, the plan again reflects the need for development in certain areas of the Council's Internal Control and Corporate Governance arrangements, and in particular the ongoing implementation of risk management and performance management processes. Emphasis is again given to assisting the Council with the development of its Internal Control arrangements in support of the Statement on Internal Control and Corporate Governance.

2.2.3 The development of the efficiency agenda is reflected in the inclusion of resources to provide a variety of services in this area. Whilst this work is not yet scoped, it may include: reviewing corporate and/or service arrangements to secure efficiencies and value for money; considering specific efficiency issues; and involvement in projects relating to efficiency and value for money.

2.2.4 Work will continue to complete the documentation and testing of fundamental financial systems. The approach has been developed in close consultation with the external auditor to ensure that he is able to place full reliance on Internal Audit work.

2.3 Resources

- 2.3.1 The Internal Audit establishment is five posts. Additional resources are available through the deployment of a budget of £18,000 for “bought-in services”.
- 2.3.2 Taking account of leave entitlements, training programmes, etc, it is estimated that 924 days of audit work can be delivered within these existing budgets.

3.0 Details of Consultation

- 3.1 The draft plan has been developed following consultation with Management Team and liaison with the external auditor.

4.0 Options and Options Analysis (including risk assessment)

4.1 Option 1: Approve the proposed audit plan.

- 4.1.1 The proposed audit plan again seeks to make a significant contribution to the Council’s improvement agenda. Internal Audit’s main focus is on providing assurance as to the effectiveness of the Council’s systems of Internal Control and Corporate Governance. The plan does, however, make significant provision for Internal Audit to take a pro-active role in a number of areas of development, and it must therefore be accepted that there will be some reduction in the level of independent assurance work.

4.2 Option 2: Adopt an Internal Audit Plan focussed on assurance work

- 4.2.2 An Internal Audit Plan can be established which concentrates solely on providing assurance as to the effectiveness and efficiency of the systems and arrangements covered. This plan would be compiled with due regard to a risk assessment exercise and would provide sufficient evidence to support an Internal Audit opinion on the Council’s Internal Control System.
- 4.2.3 In the Council’s current position, however, such a plan would be unlikely to provide meaningful and active support to the implementation of its Improvement Plan and the development of its internal control framework.

4.3 Officer Preferred Option and Comments

- 4.3.1 With a programme of work aimed at providing the core assurance function alongside involvement in areas that are key to the Council’s improvement programme, Option 1 is preferred.

5.0 Conclusion

- 5.1 In the latest Audit and Inspection Letter, the Audit Commission has again referred to Internal Audit as being a key element in the effectiveness of the Council’s internal control arrangements. The proposed audit plan seeks to maintain that position whilst continuing to add value to the organisation by actively contributing to the Council’s ongoing improvement programme.

CONCLUSION OF IMPACT ASSESSMENT

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

None identified

FINANCIAL IMPLICATIONS

As referred to in the Resources section of this report the proposed plan can be delivered from existing budgets.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

No specific legal implications arising from this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Previous years' internal audit plans and reports

Contact Officer: Derek Whiteway

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E-mail: dwhiteway@lancaster.gov.uk

Ref: aud/audcomm/260406

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Internal Audit Operational Plan - Year 2006/07

Major Financial Systems		Planned Days
D528	Asset Management	15.00
D009	Council Tax	4.00
D505	Creditor Payments	4.00
M008	Fraud & Corruption	22.00
D003	Housing Benefits & Council Tax Benefits	25.00
A001	Housing Rents	5.00
D006	Income Management	15.00
D010	NNDR	4.00
D509	Payroll	4.00
D001	Sundry Debtors	4.00
D514	Treasury Management	4.00
Totals for Major Financial Systems		106.00
Secondary Financial Systems		Planned Days
E010	Stores	10.00
D516	Value Added Tax	10.00
Totals for Secondary Financial Systems		20.00
Operational Audits		Planned Days
C002	Building Control	10.00
B102	Car Parking- Provision & Control	10.00
D160	Elections & Electoral Registration	10.00
B011	Environmental Protection	15.00
D161	Facilities Management	15.00
A054	Homelessness & Housing Advice	12.00
A012	Housing Repair & Maintenance Services	12.00
B051	Licensing	12.00
B004	Refuse Collection & Recycling	15.00
A052	Renewal (Strategic Housing)	15.00
B003	Street Cleansing	15.00
C110	Tourism - Promotion & Facilities	12.00
Totals for Operational Audits		153.00
Computer Audits		Planned Days
D301	Information & Communications Technology Audit	50.00
Totals for Computer Audits		50.00

Internal Audit Operational Plan - Year 2006/07

	Planned Days
Management Arrangements	
M007 Corporate Governance	40.00
M016 Legality Issues	15.00
M015 Partnership Arrangements	20.00
M013 Performance Management	25.00
M018 Risk Management	20.00
B111 Transport Policy & Strategy	15.00
P001 Workforce Management Strategy	15.00
Totals for Management Arrangements	150.00
Advice and Support	
F001 Advice	100.00
K002 Project Support	60.00
K001 Support Work	25.00
Totals for Advice and Support	185.00
Efficiency & Value For Money	
V002 Efficiency & VFM Projects	20.00
V001 Efficiency & VFM Strategies	20.00
V003 Specific Efficiency & VFM Reviews	20.00
Totals for Efficiency & Value For Money	60.00
Non Audit Work	
H001 Non Audit Duties	5.00
Totals for Non Audit Work	5.00
Audit Planning and Monitoring	
Y001 Audit Planning and Monitoring	30.00
Y002 Committee Work	15.00
Totals for Audit Planning and Monitoring	45.00
Contingencies	
S004 General Contingency	45.00
S001 Investigations	35.00
S002 Provision for Follow Up Reviews	70.00
Totals for Contingencies	150.00
Totals for 2006/07	924.00

AUDIT COMMITTEE**Risk Management Progress and Proposed Work Plan
26 April 2006****Report of Head of Financial Services****PURPOSE OF 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.

This report is public.

RECOMMENDATIONS

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

1.0 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 25 January 2006, and outlines the key specific tasks for the next financial year.
- 1.3 Members may well find it useful to read this report in conjunction with the Annual Audit Letter/ Use of Resources Assessment included elsewhere on the agenda.

2.0 PROGRESS

OPERATIONAL RISK REGISTERS

- 2.1 It is the intention that individual operational risk registers will be drawn up for each service. These registers will identify key risks within each department, the mitigating controls, responsibilities and the monitoring process. Each service has risks that could threaten its ability to deliver the objectives in the service's business plan. Put simply, this means that they could well under perform unless circumstances are right. This is how risk management, performance management and business planning link together. It is clear that, in identifying the risks that could affect delivery of objectives and in managing those risks, performance should improve. (Or, at the very least, performance targets should be met.)
- 2.2 To date, preliminary training sessions have been held with Planning, Leisure and Information Services. Having considered objectives in the service's business plan, risks were identified and scored. This data has been recorded on the risk management system and reports have been produced. The next stage of the process, for these services, is to have a second training session, involving the service's senior managers. At this point, each risk and its associated mitigating controls can be considered, along with the delivery of that control. Once this has been done, the service will then be able to use the completed register to link risk to service objectives in a tangible way which provides readily accessible information on service objectives, associated risks, actions required to manage the risks, and responsibility for those actions.
- 2.3 In order that this Committee can understand the nature of the information contained in these operational risk registers, Leisure Service's risks will be outlined, as an example.
- 2.4 At this stage, the objectives on Leisure's risk register are "Ensuring the efficient delivery of Leisure Management" and "Ensuring the efficient operational delivery of Salt Ayre Leisure Centre". In all, 19 risks were identified as being potential threats to achievement of these objectives. As the report shows, the risks vary in category from strategic, financial, reputational, people and information issues. These include risks such as –
- Inability to maximise funding opportunities.
 - An uncoordinated approach to partnering.
 - Inefficient staff screening processes.
 - Inadequate customer care.
 - Lack of investment.
 - Inadequate consultation on customer needs.
 - Inefficient use of resources.

Each risk has been given an inherent risk score, and once the mitigating controls are identified, residual and target scores will be listed. At this stage, there is also a further opportunity for challenge of the identified risks, and a chance to bring in advice from other internal sources, such as accountancy, procurement, and health and safety, etc. Reference should also be made to the Use of Resources Assessment.

The Head of Leisure services can then manage the risks that threaten achievement of the service objectives and, through recognition of the risk scores, can prioritise mitigation controls more efficiently and thereby improve performance.

INSURABLE RISKS

- 2.5 Risk Management is clearly integral to the attainment of corporate priorities, continuous improvement, good performance management and corporate governance within authorities.
- 2.6 Originally risk management procedures tended to focus simply on managing those risks that were insurable. This focus has changed more recently, with the emphasis now tending to be on the management of business risks. In spite of this, however, the management of insurable risks is still an essential process.
- 2.7 Although the management of these risks has been an ongoing process for several years, the progress and success of this vital procedure has, so far, not been reported to Audit Committee. However, as it does still fall within the remit of this committee, this report and future reports will outline developments in the management of insurable risks.

- Trips and slips

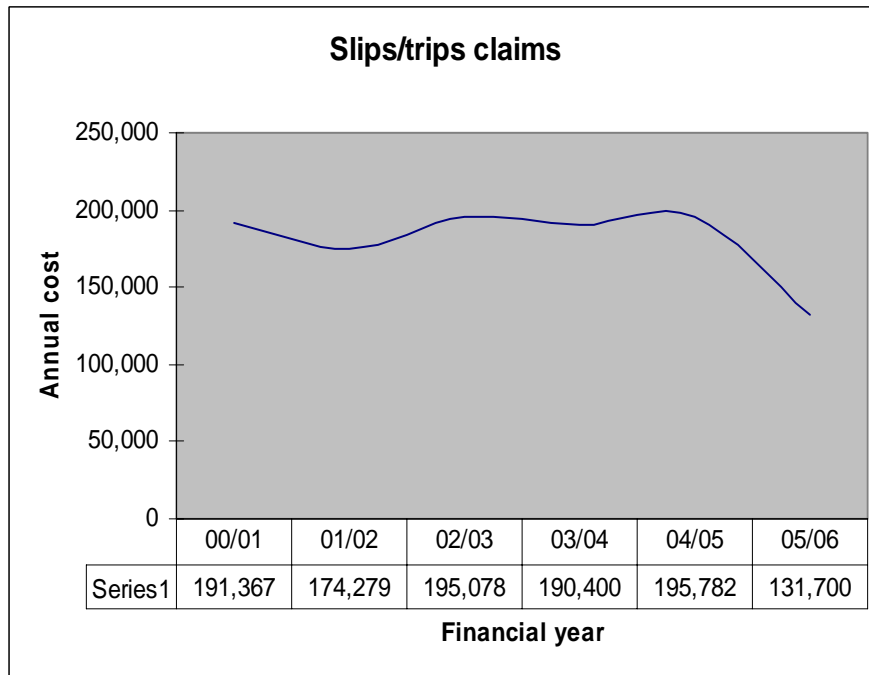
The Council's Public Liability insurance policy has a £10,000 excess for each and every claim. That means, for every successful liability claim made, the Council has to pay the first £10,000 of the compensation payment that is made. Obviously, it makes sense both financially and in reputation/community terms, to reduce the incidence of these claims wherever possible.

It was identified two years ago that a major financial burden to the authority was in the payment of slips/trips claims, where the accident occurred on Council owned land (as opposed to on the highway, which is County Council responsibility). The cost of these claims, at the time, was regularly averaging £190,000 per year.

A thorough risk assessment was carried out and it became apparent that, whilst it was not easy to prevent the slipping/tripping accident occurring, many claims were succeeding purely due to the fact that the Council had insufficient documentation to defend itself. A valid defence in these types of liability claims is that the area in question is regularly inspected and that documentary evidence is available support this.

A working group was set up at the time to identify the areas of land in Council ownership, to decipher which services had responsibility for them, how often they need to be inspected and how the inspections should be recorded.

Most services have now adopted regular systems of inspection and produce suitable records. Claims are now regularly defended successfully and this has resulted in substantially reduced claims costs. This last financial year has seen a 30% reduction in claims payments compared to previous years. To date claims costs have been just £131,700, as opposed to the £190,000 average in previous years. This is shown on the graph overleaf. This is one measurable example of the benefits of risk management that have been gained so far.



3 FUTURE WORK PLAN

3.1 Good progress has been made with the work plans approved by Audit Committee on 27 July 2005, 19 October 2005 and 26 January 2006. This has meant there has been significant headway made with the Council's risk management arrangements and internal control environment.

- Partnership working

Partnerships are increasingly becoming the preferred option for many public sector organisations, as the complexity of service delivery and pressure on funding sources increases. Partnership working is a potentially powerful tool for tackling policy and operational problems but poses equal challenges and complexities that need proactive management. Nowadays there is an increasing amount of guidance from the Audit Commission, National Audit Office, Office of the Deputy Prime Minister and others on how to respond to such challenges. In accordance with this guidance, risk management principles need to be applied throughout the partnership process; that process being scoping for a new partnership, setting the partnership up and then running the partnership successfully.

- Operational risk registers

As stated earlier, all Services needed to be trained and have their risks identified, assessed and mitigated in the form of the operational risk register, to support service performance.

- Strategic risk register

At the time of writing this report, the draft Corporate Plan and associated KPIs were being finalised for consideration by Council on 12 April. Once this has been done, the risks can be reassessed where necessary and updated accordingly.

- Project Initiation documents

Work needs to be done to improve project initiation documents and ensure that risks are adequately assessed from the outset of a project. This aspect will be incorporated into other work ongoing to establish a corporate, consistent approach to project management.

- 3.2 The work plan for the forthcoming year is thus as follows. Members are asked to support the programme and/or indicate any other aspects that may wish to be considered.

Task	PROVISIONAL Target Date
Develop robust risk management procedures for partnership working.	1 August 06
Complete operational risk registers for each service.	31 December 06
Reassess the risks associated with 2006/07 Corporate Plan.	30 June 06
Ensure that project initiation documents include an adequate risk assessment.	TBC
Develop and deliver further appropriate training.	31 March 07

CONCLUSION OF IMPACT ASSESSMENT

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

FINANCIAL IMPLICATIONS

No other financial implications arising directly other than as outlined in the report.

DEPUTY SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Risk Management Strategy & Policy

Risk Management Policy and Strategy
Audit Committee Terms of Reference (The Constitution)

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Ref:

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AUDIT COMMITTEE**FUNCTIONING OF THE FORWARD PLAN****26TH APRIL, 2006****REPORT OF OVERVIEW AND SCRUTINY COMMITTEE**

PURPOSE OF REPORT			
To advise Audit Committee of the recommendations made by the Overview and Scrutiny Committee on the Functioning of the Forward Plan.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Overview and Scrutiny	<input checked="" type="checkbox"/>
Date Included in Forward Plan	N/A		
This report is public			

RECOMMENDATIONS

That Audit Committee endorse the recommendations of the Overview and Scrutiny Committee as set out below.

1. Report

The Overview and Scrutiny Committee has been considering the functioning of the Forward Plan and at its meeting on 8th March, 2006, made the following recommendations to Audit Committee – a copy of the report is attached at Appendix A :

- (1) That a 12 month Forward Plan, with monthly updates, be recommended to the Audit Committee for the reasons set out above, with Officers being advised that Rule 15 may only be used in exceptional circumstances and with the approval of the Chief Executive, or in his absence, the relevant Corporate Director. The 12 month Forward Plan to be introduced at the commencement of the new municipal year (May) so that Key Decisions can be fed into the process.
- (2) That an additional section be introduced into the Forward Plan Decision Form to be completed by the author stating the reasons for urgency.
- (3) That linkages are made between the Forward Planning process and the Council's Consultation Strategy, as outlined above, creating a consultation culture within and outside the Council and also in accordance with good practice.

- (4) That it be noted that the Forward Plan remains the responsibility of the Leader of the Council.
- (5) That it be noted that an additional section has already been added to the report template to indicate when an issue was published in the Forward Plan module.
- (6) That it be noted that the Committee Management System Forward Plan will be rolled out and is included in Service Business Plans for implementation as soon as possible.
- (7) That the electronic submission of Forward Plan items be introduced with the above mentioned information contained within the submission form.

As the Leader has responsibility for the Forward Plan, the Overview and Scrutiny Committee also recommended that he and Cabinet be consulted and these comments will be reported at the meeting.

RELATIONSHIP TO POLICY FRAMEWORK None directly.	
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None directly.	
FINANCIAL IMPLICATIONS None arising from this report.	
SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and would add that the introduction of a 12 month Forward Plan may also help strengthen financial planning, through the earlier identification of any issues or proposals that may have financial implications for the future.	
LEGAL IMPLICATIONS None arising from this report.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comments to add.	
BACKGROUND PAPERS Overview and Scrutiny Committee Minutes.	Contact Officer: Jenny Kay Telephone: 01524 582065 E-mail: jkay@lancaster.gov.uk

OVERVIEW & SCRUTINY

FUNCTIONING OF THE FORWARD PLAN 8TH MARCH 2006

REPORT OF THE CORPORATE DIRECTOR (CENTRAL SERVICES)

PURPOSE OF REPORT

To report upon and advise the Overview and Scrutiny Committee, of the function of the Forward Plan in order to identify areas where the Plan may be failing to meet member expectations and ensuring there is transparency in the decision making process.

This report is to be considered in the public part of the meeting.

RECOMMENDATIONS

- (1) That Members consider the report.**
- (2) That Members consider what recommendations, if any, they wish to make to the Audit Committee with regard to the efficiency and functioning of the Forward Plan process and amendments to the Constitution in this respect.**
- (3) That Cabinet, and in particular the Leader of the Council, be informed of the recommendations to allow their comments to be included in the report referred to in (2) above.**

1.0 Introduction

1.1 At its meeting, held on 8th June 2005, the Committee considered a report of Councillor Stuart Langhorn, Pre-decision Scrutiny Champion, regarding the functioning of the City Council's Forward Plan (Minute 5 refers). After considering the report the Committee resolved: -

- That the Forward Plan process be reviewed and that consideration be given to replacing the current system (four month rolling Forward Plan) with a rolling 12-month Forward Plan updated on a monthly basis.
- That all Services be requested to review their Business Plan to provide details of forthcoming Key Decisions.
- That performance monitoring data be collected on compliance with the Forward Plan, that this be made available to Members and that Management intervention take place for services that repeatedly fail to publish Key Decisions in advance.
- That a review takes place of the Forward Plan form and that Officer contact details be included.

- That all Services ensure arrangements are in place to brief Cabinet Members on Key Decisions which are added to the Forward Plan.
- That all of the following should be justified on grounds of urgency and an explanation given why they were not included earlier.
 - All Key Decisions not included in the Forward Plan (at the time of publication) and sent out after publication under a separate cover.
 - Urgent Key Decisions to which no notice has been given.
 - All decisions where only a months notice is given.

1.2 In view of the above previous resolutions the following actions have been undertaken: -

Committee resolution	Action taken
That the Forward Plan process be reviewed and that consideration be given to replacing the current system (four month rolling Forward Plan) with a rolling 12-month Forward Plan updated on a monthly basis.	Report produced for consideration by Members of this Committee, prior to submission to the Audit Committee.
That all Services be requested to review their Business Plan to provide details of forthcoming Key Decisions.	To be actioned if agreed by the Audit Committee. Members attention is also drawn to proposals regarding linkages between Forward Plan information and the Council's Consultation Strategy.
That performance monitoring data be collected on compliance with the Forward Plan, that this be made available to Members and that Management intervention take place for services that repeatedly fail to publish Key Decisions in advance.	This process has commenced and data provided since the last report is set out within Appendix 1 to this report. There is also increased Management Team focus on the Forward Plan.
That a review takes place of the Forward Plan form and that Officer contact details be included.	Report and Appendix produced for consideration by Members of this Committee, prior to submission to the Audit Committee.
That all Services ensure arrangements are in place to brief Cabinet Members on Key Decisions which are added to the Forward Plan.	To be incorporated within the Council's procedures rules as good practice. This largely happens now but there have been exceptions and by formalising this in procedure rules will strengthen the position.
<p>That all of the following should be justified on grounds of urgency and an explanation given why they were not included earlier.</p> <ul style="list-style-type: none"> ▪ All Key Decisions not included in the Forward Plan (at the time of publication) and sent out after publication under a separate cover. ▪ Urgent Key Decisions to which no notice has been given. ▪ All decisions where only a months notice is given. 	Amended Key Decision Form attached with Section referring to "Urgency". The Appendix has been produced for consideration by Members of this Committee, prior to submission to the Audit Committee.

Members are also advised that there has been an increased Management Team focus on the Forward Plan, with the Team considering the Plan at their meetings to ensure that each Cabinet cycle receives decision reports identified for that meeting or an explanation as to why it will not be presented to that meeting.

2.0 Details

2.1 Forward Plan process:

Officers have carried out a review of the Forward Plan and the options available to the City Council regarding the operation of the Forward Planning process. These are set out below for Members' consideration.

2.2 Key Decision Process:

Members of Overview and Scrutiny Committee requested consideration of the Forward Plan process, particularly a 12 month Forward Plan updated on a monthly basis. A number of other local authorities already have a 12 month Forward Plan, where additional items can be added as required in order to ensure that the process complies with the Regulations brought about by the Local Government Act 2000. One of the main advantages of adopting such an approach is that Officers will be aware at the stage of formulating their Service Business Plans, of cyclical and major issues to be considered by the City Council in the forthcoming Municipal Year and how they contribute to the Corporate Plan priorities. Therefore, when Service Plans are agreed, Key Decisions should be identified and entered into the 12 month Forward Plan at that stage. This process would assist in focusing the minds of Service Heads on the decisions to be taken in the forthcoming year and would aid the City Council's forward planning process, increase awareness of the matters that require a decision, enable pre-scrutiny of Cabinet decisions and ensure that the decision-making process is transparent and operates in a more cohesive manner.

Service Business Plans will be available from the commencement of each financial year (April). Therefore, it would seem appropriate for the 12 month Forward Plan to be introduced at the commencement of the new municipal year (May) so that Key Decisions can be fed into the process. Members attention is also drawn to the "Groups Identified for Consultation" section of the Key Decision Notice. In order to ensure that the Key Decision Notice is adequately completed, effective consultation should take place in accordance with the principles of Best Value and the Government's Agenda for Modernising Local Government. It is, therefore, suggested that linkages are made between the Forward Planning process and the Council's Consultation Strategy. This would also assist in creating a consultation culture both within and outside the Council and would also be in accordance with good practice.

A further issue regarding the current process is the additional Officer time that is currently required to ensure that late items are published after the publication of the Forward Plan, particularly where a particular Service has not planned ahead and provided the relevant notice within the published timescales. Currently this can mean that reports are published later than expected giving Members less time to consider reports in order to make informed decisions, causing additional workload for Officers and effectively preventing scrutiny.

Issues which occur after the formulation of the 12 month Forward Plan could be added, with the City Council's electronic Committee Management System being used to place such items on the City Council's website and Members being informed via e-mail (see below) in accordance with prescribed deadlines, usually at least 14 days prior to the commencement of the statutory three month period covered by the Forward Plan, therefore enabling pre-decision scrutiny. It is recommended that these

rolling amendments are the exception as opposed to the rule and should not be used for cases where Service Business Plans have not been adequately prepared.

Members are also advised of Rule 15 of the constitution – General Exception (Part 4, Section 2 - Access to Information Procedure Rules), where the Notice has not been included in the original Forward Plan, or monthly update and notice (as referred to in the previous paragraph) cannot be given. It is suggested, that in order to ensure that Regulation 15 is not used unnecessarily, it is proposed to introduce an additional section into the Forward Plan Decision Notice Form to be completed by the author stating the reasons for urgency.

A 12 month Forward Plan will enable Officers to make the necessary arrangements to ensure that reports are provided for and cleared by the statutory Officers in plenty of time to enable compliance with relevant legislation and submitted in accordance with the City Council's Agenda deadlines. Members of the City Council will have more time to consider issues and their implications prior to a decision being required.

Members are reminded that the Forward Plan is the responsibility of the Leader of the Council and the Plan is submitted to him for approval and copied to the remaining Cabinet Members prior to publication. These current arrangements would still remain under this proposal with the Leader being provided with the 12 month Forward Plan for approval, together with any further Notices provided after the publication of the Plan.

Appendices 2 and 3 show the current and proposed Forward Plan Key Decision Notices.

Officer Recommendations:

- (1) That a 12 month Forward Plan, with monthly updates, be recommended to the Audit Committee for the reasons set out above, with Officers being advised that Rule 15 may only be used in exceptional circumstances and with the approval of the Chief Executive, or in his absence, the relevant Corporate Director. The 12 month Forward Plan to be introduced at the commencement of the new municipal year (May) so that Key Decisions can be fed into the process.**
- (2) That an additional section be introduced into the Forward Plan Decision Form to be completed by the author stating the reasons for urgency.**
- (3) That linkages are made between the Forward Planning process and the Council's Consultation Strategy, as outlined above, creating a consultation culture within and outside the Council and also in accordance with good practice.**
- (4) That it be noted that the Forward Plan remains the responsibility of the Leader of the Council.**

2.3 Report Template:

To ensure that there is a check on issues being included in the Forward Plan an additional section has been added to the report writing template. The additional section is headed "Forward Plan" and the report authors are now required to complete the section with the month when the Notice was published in the Forward Plan. This will assist in ensuring that items are not considered prematurely by Members, where inadequate notice has been given. This amendment has already been implemented by Officers and is now used by report authors when producing reports for Cabinet and its Committees.

2.4 Committee Management System and Key Decision Form:

The Committee Management System provides a Forward Plan module. It is intended to take this opportunity to roll out this module. In doing so this will provide for an effective means for Officers to submit Forward Plan items on-line and directly into the System, using a revised proforma to take account of the recommendations as set out above.

Instead of filling in a template, in future Officers will complete a form on the Council's intranet, directly in to the Committee Management System.

The electronic form will allow submission of the following information: -

- Additional space for areas that require more of a description, i.e. consultations etc.
- Greater detail of the proposals and the likely suggested Officer recommendations in the forthcoming report.
- Confirmation that the Cabinet Member with Special Responsibility has been briefed upon the matter.
- Identification and contact details of the author of the Notice.
- Additional requirement for the reason to be stated why a report has not been included in the original Forward Plan and why it is now urgent.

Officer Recommendations:

- (1) That it be noted that an additional section has already been added to the report template, as outlined above.**
- (2) That it be noted that the Committee Management System Forward Plan will be rolled out of a module included in Service Business Plans for implementation as soon as possible.**
- (3) That the electronic submission of Forward Plan items be introduced with the above mentioned information contained within the submission form.**

2.5 Analysis of decisions taken:

The table set out at Appendix 1 shows the number of decisions contained within the Forward Plan and also urgent decisions published in accordance with the Regulations since the last report to this Committee (8th June 2005) to date. If this were to be analysed in the same way as in the previous report to Overview and Scrutiny, it would read:

- There were 145 (137) Key Decisions since the last report in June 2005.
- 135 (101) Key Decisions were submitted in time to be included in the relevant months Forward Plan.
 - 109 (32) decisions had more than one months notice and therefore allowing pre-decision scrutiny to take place.
 - 26 (69) decisions, gave little or no opportunity for pre-decision scrutiny as only one months notice was given.
- 10 (34) items were submitted late, that is had to be published after the Forward Plan and resulted in less than one months notice being given and realistically prevented pre-decision scrutiny.
- Only 3 (2) decisions had to be considered as Urgent Key decisions, which is not felt to be excessively high or a cause for concern.

The figures shown above in brackets provide details from the previous report, which advised of statistics for the Municipal Year 2004/05. This report only covers the period from that report to date.

The analysis shows, to date:

- 8 more Key Decisions.
- 34 more Key Decisions submitted in time to be included in the relevant months Forward Plan.
- 77 more decisions that had more than one months notice and therefore allowing pre-decision scrutiny to take place.
- 43 fewer decisions, gave little or no opportunity for pre-decision scrutiny as only one months notice was given.
- 24 fewer items were submitted late, that is had to be published after the Forward Plan and resulted in less than one months notice being given and realistically prevented pre-decision scrutiny.
- 1 more decision had to be considered as Urgent Key decisions, which is not felt to be excessively high or a cause for concern.

These statistics suggest that the operation of the Forward Plan is settling down and improving as report writers become more familiar with it.

3.0 Conclusion

- 3.1 In order to improve and assist the City Council's Forward Plan process, providing a transparent decision-making process, the Committee is asked to consider the Officer recommendations, as set out within the report, and any other proposals which may be put forward at the meeting in order to recommend improvements to Cabinet.

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

No direct implications arising from this report.
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FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.
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SECTION 151 OFFICER'S COMMENTS

The S151 Officer has been consulted and has no further comments to add.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments to add.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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APPENDIX 1

ANALYSIS OF DECISIONS TAKEN

MONTH FORWARD PLAN PUBLISHED AND DURATION	NUMBER OF KEY DECISIONS PUBLISHED IN FORWARD PLAN ONE MONTH PRIOR TO DECISION	DECISIONS SUBMITTED WITH MORE THAN ONE MONTHS NOTICE	ADDITIONAL KEY DECISIONS WHERE AN ADDITIONAL NOTICE WAS PUBLISHED LESS THAN A MONTH BEFORE THE DECISION WAS MADE AND SERVICE RESPONSIBLE	ITEMS OF URGENT BUSINESS THAT WERE KEY DECISIONS CONSIDERED BY CABINET
May 2005 (duration June – September 2005).	0	4	2 for June, 1 of which was undertaken in accordance with the Urgent Business Procedure. Both submitted by the Planning and Building Control Service.	-
June 2005 (duration July – October 2005).	5	7	2 for July, 1 submitted by Engineering and 1 by Property Services. N/a.	-
July 2005 (duration August – November 2005).	0 (No August meeting).	9		N/a.
August 2005 (duration September – December 2005).	9	12	-	-
September 2005 (duration October 2005 – January 2006).	2	14	-	-
October 2005 (duration November 2005 – February 2006).	1	13	1 for November and December 2005, November meeting to be considered at the meeting as Urgent Business, submitted by Engineering Services.	1

November 2005 (duration December 2005 – March 2006).	6	15	3 for December, 1 submitted by Arts and Events and 2 submitted by Leisure Services.	1
December 2005 (duration January – April 2006).	1	16	-	1
January 2006 (duration February – May 2006).	1	14	1 for February, submitted by Economic Development and Tourism Service.	Not available at the time of writing the report.
February 2006 (duration March – June 2006).	1	5	1 for March submitted by CCS.	Not available at the time of writing the report.

APPENDIX 2**Current Forward Plan Notice**

LANCASTER CITY COUNCIL

..... 2005

**KEY DECISIONS TAKEN BY CABINET OR
KEY DECISIONS DELEGATED BY CABINET TO OFFICERS**

SERVICE:				REFERENCE:			
ITEM FOR DECISION:							
DECISION MAKER:		CABINET				YES/NO	
		DELEGATED OFFICER				YES/NO	
RESPONSIBLE CABINET MEMBER:		COUNCILLOR					
KEY DECISION CRITERIA:	EXCESS FINANCIAL THRESHOLD AS PER KEY DECISION CRITERIA		YES/NO	COMMUNITY IMPACT IE HAVING A SIGNIFICANT AND LASTING IMPACT ON:		YES/NO	
				(i) REPUTATION OF COUNCIL (ii) ENVIRONMENT (iii) LOCAL ECONOMY (iv) COMMUNITY SAFETY (v) HUMAN RIGHTS, EQUAL OPPORTUNITIES OR RACIAL EQUALITY			
SUMMARY DESCRIPTION OF RELEVANT ISSUES:							
DATE OF CABINET MEETING/DATE FOR OFFICER DECISION							
<i>Delete not applicable</i>							
LIST OF BACKGROUND PAPERS FOR CONSIDERATION:							
GROUPS IDENTIFIED FOR CONSULTATION:							
PROCESS FOR MAKING REPRESENTATIONS TO DECISION MAKER:							
DATE FOR REPRESENTATIONS TO BE RECEIVED:							

LANCASTER CITY COUNCIL

MARCH 2006

Key Decisions Taken by Cabinet or delegated Officer

ITEM FOR DECISION:			
SERVICE:			
DECISION MAKER:			
RESPONSIBLE CABINET MEMBER:			
DATE DECISION DISCUSSED WITH CABINET MEMBER:			
REASON FOR URGENCY: (IF APPLICABLE)			
KEY DECISION CRITERIA:			
SUMMARY DESCRIPTION OF RELEVANT ISSUES:			
Month of Cabinet Meeting/Date for Officer Decision			
LIST OF BACKGROUND PAPERS FOR CONSIDERATION:			
GROUPS IDENTIFIED FOR CONSULTATION:			
PROCESS FOR MAKING REPRESENTATIONS TO DECISION MAKER:			
DATE FOR REPRESENTATIONS TO BE RECEIVED:			
OFFICER CONTACT DETAILS:			

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AUDIT COMMITTEE**Broadcasting and Recording of Council Meetings
26th April 2006****Report of Head of Democratic Services****PURPOSE OF REPORT**

To advise Members of the options, costs and benefits with regard to the broadcasting, recording and filming of meetings.

This report is public

RECOMMENDATIONS

- (1) That the Committee consider which, if any option they wish to adopt with regard to the filming/ broadcasting of meetings of full Council.**
- (2) That filming and webcasting of meetings be included within the remit of the Access to Services Review, in particular with regard to the meeting room facilities at either refurbished or new Town Halls**

1.0 Introduction

At the end of 2004 the Media Guidelines Protocol was revised and agreed by the Audit Committee. At the time consideration was given to allowing filming and/or recording of Council meetings which has been resisted in the past in order to avoid disruption. Members were minded to consider allowing filming and recording at Council meetings but requested some further analysis of the risks involved and how they would be overcome. This further report had been held back pending the future operation of full Council, which has now been agreed and has resulted in some proposals in terms of a 'special' Council meeting and changes to public speaking which are likely to result in increased public participation and increased interest in Council meetings, which will inevitably lead to more requests from the media to capture the interaction between the public and Members.

The current position is that journalists are currently able to record any exchanges in writing but are not permitted to record on tape. Filming has been refused at meetings for a number of reasons which are discussed later in this report; however, filming and recording has been allowed prior to meetings of Council.

2.0 Proposal Details

Different Types of meetings

Whilst filming and recording would be possible at all meetings there are a number of meetings where there would be difficulties with filming, particularly where there is a high degree of exempt material such as Appeals and Personnel Committee, or where evidence is being gathered from external sources and Members of the public such as Overview and Scrutiny Task Groups. Also there is a strong case to resist filming at meetings where the council is acting in a quasi-judicial role such as at Planning and Licensing Committees, where it can be argued that the same restrictions should apply as to those currently in force in a court of law.

In light of this it is recommended that at this stage discussion of filming in meetings is limited to consideration of full Council, Cabinet, Overview and Scrutiny and Audit Committee, all of which meet in the Council Chamber of Morecambe Town Hall, (with the exception of Cabinet which alternates between Morecambe and Lancaster Town Halls).

2.1 Meeting Location

There are a number of problems with filming in the Council Chamber at Morecambe Town Hall. The Council Chamber was originally designed for far fewer Councillors than the current 60 elected Members and 7 Officers who attend Council meetings, requiring the use of fold away tables. During meetings there are very narrow walkways, which do not allow access by wheelchairs, prams, or pushchairs. Members will be aware that it is already very difficult for Councillors to move in the Chamber during meetings of Council and when this is necessary, disruption is caused to the meeting.

Currently the Council Chamber has no facilities for recording sound and does not have a sound system where a sound feed could be obtained for recording/ broadcast and no cameras.

2.2 Filming

In order to obtain broadcast quality pictures it would be necessary to use high quality expensive television cameras, due to this cost most television news organisations use large, portable cameras (shoulder or tripod mounted) and very few organisations such as the Houses of Parliament, National Assembly of Wales, and Scottish Parliament have fixed installations.

Filming would in the view of Officers cause a significant amount of disruption to Council meetings. Film crews would not wish to stay for a whole Council meeting and would inevitably cause disruption when joining/ leaving the meeting. Additionally they would have to reposition to film the Mayor and top table, or use multiple cameras, which is unlikely, due to cost. The only available space for filming would involve blocking a gangway, which in itself would cause disruption and block exits causing health and safety risks e.g. fire access, cables etc.

Members also need to be aware that there would be no control over how footage of Council meetings would be used and inevitably editing would take place to meet scheduling limitations and to provide the appropriate footage required for a story.

2.3 Webcasting

Many Councils have now adopted webcasting of meetings and Civic events as a way of widening the opportunity to participate in meetings. Web casting would offer a viable option for Lancaster City Council particularly given the accommodation difficulties of meetings in the Morecambe Council Chamber. Webcasting is normally provided by remotely operated webcams, which enable different speakers to be pictured as they are speaking. Cameras can be controlled by an operator, which can be resource intensive and still requires the meeting to have a microphone system. More commonly cameras are controlled by each Councillor having a microphone, which when turned on focuses a camera on the speaker.

There is a large financial outlay in terms of the equipment; infrastructure, software and hosting required to provide webcasting of meetings and this has not been identified within current budgets. The committee would need to be sure of the value of such an outlay in light of the proposals being put forward with regard to accommodation options as part of the Access to Services Review.

Whilst systems are relatively simple to use, from viewing various webcasts few Councils have to date managed it effectively.

Additionally there is little tangible evidence that webcasting has delivered real benefits to Councils that have purchased systems. It is questionable how many more people would view a webcast who would not attend a Council meeting. As a rule, individuals attend or view a meeting when there is an issue that interests them and few people 'tune-in' speculatively.

3.0 **Details of Consultation**

3.1 The Council's Corporate Strategy, Legal, Finance, Information Services and Communications Officers have been consulted in the preparation of this report.

4.0 **Options and Options Analysis (including risk assessment)**

4.1

Option No.	OPTION	IMPLICATIONS AND RISK ANALYSIS
1	The principle of filming, recording and broadcasting Council meetings should be prohibited.	This would effectively ensure continuation of the present situation with no view to improved access to meetings and is not consistent with the principles of modernised decision making and the Access to Services Review
2	The principle of filming, recording and broadcasting meetings of Council, Cabinet, Audit, and Overview and Scrutiny Committee, should be endorsed but at present continue to be prohibited at Council meetings	This approach would support the principles of open government, modernised decision making and the Access to Services Review, but would reflect the current difficulties the Council would experience in allowing filming/ recording within its current meeting rooms.

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

Option No.	OPTION	IMPLICATIONS AND RISK ANALYSIS
4	Filming/recording be allowed at any meeting of Council, Cabinet, Audit and Overview and Scrutiny Committee held in public so long as consent is obtained via the Communications Officer, in advance.	In addition to the above points this may mean that even where there is no public participation meetings could be open to a fair amount of disruption.
5	Filming/recording be allowed at meetings of Council, Cabinet, Audit, and Overview and Scrutiny Committee., so long as notice is given, via the Communications Officer, in advance.	This would cause significant disruption to meetings due to the meeting facilities currently available to the Council. Additionally there would be health and safety issues in terms of gangways being blocked etc. Members attention is particularly drawn to the issues set out in section 2.1 and the Legal implications of this report.
6	Any of the above options 3 – 5, with the inclusion of webcasting.	This would have to be the subject of a growth bid in the budget process and Members would need to ensure that this would achieve significant benefits to the Council, particularly in light of the Access to Services review proposals.

5.0 Officer Preferred Option and Comments

5.1 Officers would support Option 2 for the reasons as set out in the implications and risk analysis.

6.0 Conclusion

It is important that in addressing this issue the Committee considers the limitations of the current meeting rooms and balances this against the public involvement in the democratic process and the benefits to the Council of increasing this involvement.

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

None directly arising from this report.

FINANCIAL IMPLICATIONS

There are clear financial and human resource implications to the authority in providing, operating and maintaining a webcasting system. Whilst there may be merit in the future consideration of webcasting, at this time it would not be prudent for them to be pursued in light of the changes that will be necessary to the Town Hall accommodation as part of the Access to Services Best Review, regardless of which option is chosen.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

The only reference in local government legislation to the filming or recording of meetings is contained in Section 1(7) of the Public Bodies (Admission to Meetings) Act 1960, which provides that nothing in the Act requires a body to permit the taking of photographs of any proceedings, or the use of any means to enable persons not present to see or hear any proceedings.

Filming and Recording of meetings has in the past been prohibited under the Council's constitution and previously standing orders. The published Minutes of a meeting are the formal record of the meeting, but the existence of a sound or visual recording of a meeting would be able to be used in court, in terms of action against the authority or Members of the authority.

It should be noted that Councillors unlike Members of Parliament do not have parliamentary privilege, which is absolute. Qualified privilege will generally apply to Council and Committee meetings, so that Members will generally be protected from claims of defamation in the absence of malice.

A further consideration that may be relevant to the issue of filming is the issue of child protection, and if the Council was to allow filming/ broadcasting of meetings it would need to revisit its policies with regard to children and young people being present at meetings. In making a decision on this issue Members would need to balance the risk to the authority against the benefits of allowing filming/ recording.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

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