# LANCASTER CITY COUNCIL

*Promoting City, Coast & Countryside*

*Committee:* **AUDIT COMMITTEE**

*Date:* **WEDNESDAY, 19 SEPTEMBER 2007**

*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 27th June 2007 (previously circulated)

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

4. **Declarations of Interest**

5. **Committee Meeting Time** (Pages 1 - 12)

6. **Local Government Ombudsman - Annual Letter 2006/07** (Pages 13 - 18)

7. **Statement of Accounts 2006/07** (Pages 19 - 20)

   (Related documents are to follow.)

8. **Statement on Internal Control & Corporate Governance** (Pages 21 - 24)

9. **Audit Commission IT Reports** (Pages 25 - 66)

10. **Audit and Inspection Plan** (Pages 67 - 92)

11. **Audit Commission - National Fraud Initiative** (Pages 93 - 96)

12. **Internal Audit Plan and Monitoring** (Pages 97 - 104)

13. **Corporate Governance - Constitutional Amendment** (Pages 105 - 108)

14. **Update to Financial Regulations and Procedures** (Pages 109 - 116)

15. **Revised Terms of Reference for Budget & Performance Panel** (Pages 117 - 122)

**ADMINISTRATIVE ARRANGEMENTS**

**(i)       Membership**

Councillors  Malcolm Thomas  (Chairman),  Jon Barry,  Roger Dennison,  Janice Hanson, Tony Johnson, Geoff Knight and Karen Leytham

**(ii)      Substitute Membership**

Councillors Abbott Bryning, Shirley Burns, Geoff Marsland, Ian McCulloch and Rob Smith

**(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.

MARK CULLINAN
CHIEF EXECUTIVE
TOWN HALL
LANCASTER LA1 1PJ

Published on 11th September 2007

## AUDIT COMMITTEE

# City Council Meeting Times - 2008/09
## 19<sup>th</sup> September 2007

## Report of the Head of Democratic Services

### PURPOSE OF REPORT

To consider preferred times for City Council meetings for the year 2008/09.

**This report is public.**

**RECOMMENDATIONS**

**That consideration be given to the commencement times for meetings of this Committee/body and the Council Business Committee advised accordingly.**

**1.0 Introduction**

1.1 At its meeting held on 28<sup>th</sup> June 2007, the Council Business Committee considered a report reviewing the start times for meetings included in the timetable for 2007/08. A copy of the report considered by the Business Committee is attached for information.

**2.0 Details**

2.1 In accordance with Members decision to review the start times for all meetings included in the timetable for 2007/08 following the elections in May 2007, a survey had been carried out amongst all Councillors.

2.2 The results of the survey had proved inconclusive with no clear preference for daytime or evening meetings, but recognition that a variety of start times provided the best opportunity for Member participation.

2.3 The Council Business Committee, therefore, decided to collate some additional information with a view to making any changes for 2008/09, recognising that many Members will have chosen their Committees for this year on the basis of the current start times and their own availability. The Committee advised that all feedback received would be taken into account in setting the timetable for 2008/09. Details of the relevant sections of the resolution are set out below:

(1) That an item be included on the next agenda of all scheduled meetings requesting consideration of the most appropriate start time for that meeting.

(2) That Group Administrators be requested to obtain information from their political groups on any Members unable to attend their choice of committee due to its current start time.

(3) That all feedback received be taken into account in setting the timetable for 2008/09.

2.4 Cabinet and all Committees of the Council are therefore being consulted during September in order to obtain their views and Group Administrators are being asked to obtain any information on whether any Members are currently unable to take part in the Committee(s) of their choice due to the start time being inconvenient.

## 3.0 Conclusions

3.1 This is a report to obtain feedback to the Committee's request and there are, therefore, no conclusions. However, Members are asked to consider the most appropriate start time for this meeting taking into account convenience to Councillors, but also the public, where public participation is an issue and the availability of other organisations, where relevant, in order for any views to be considered in due course.

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

None.

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**FINANCIAL IMPLICATIONS**

If an increased number of meetings were to be held in the evenings there may be additional costs associated with the opening of the building and staffing and whilst there is some flexibility within the existing Democratic Representation budget, if Members wish to make large scale changes to the timetable as currently published this will need to be evaluated.

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**SECTION 151 OFFICER'S COMMENTS**

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

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**LEGAL IMPLICATIONS**

It is a legal requirement that the Council publishes its timetable of meetings by the commencement of each Municipal Year. Amendments can be made throughout the year provided at least 5 days notice is given.

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**MONITORING OFFICER'S COMMENTS**

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

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| **BACKGROUND PAPERS** | **Contact Officer:** Stephen Metcalfe |
|---|---|
| Report to Council Business Committee dated 28th June 2007. Consultation responses from Members. | **Telephone:** 01524 582073 **E-mail:** smetcalfe@lancaster.gov.uk **Ref:** Sjm |

### COUNCIL BUSINESS COMMITTEE

## City Council Meeting Times - 2007/08
## 28$^{th}$ June 2007

## Report of the Chief Executive

**PURPOSE OF REPORT**

To consider a survey of preferred times for City Council meetings for the year 2007/08.

**This report is public.**

**RECOMMENDATIONS**

**(1)    That Members consider the times of City Council meetings for 2007/08.**

**1.0    Introduction**

1.1    At its meeting held on 11$^{th}$ January 2007 the Committee considered the Meetings Timetable for 2007/08.  As part of its decision the Committee resolved:

That the Head of Democratic Services be requested to undertake a survey of Members' preferred times for meetings and report to the first meeting of the Committee following the elections on 3$^{rd}$ May 2007 on the implications of moving to evening meetings.

2.0    **Survey Results**

2.1    In accordance with paragraph 1.1 above a survey has been conducted with every Member of Council being invited to complete a questionnaire, with a reminder also sent to those Members not responding by the deadline, in order for a fully informed decision to be made by this Committee.

2.2    There have been 36 responses as part of the consultation.  The results are shown in Appendix 1 to this report.  The results are inconclusive and there does not appear to be evidence for a complete change to evening meetings.  The analysis does show that there is support for times of meetings to commence based on their past duration. Set out in paragraph 5.1 below is a table that sets out the details of average duration over the previous Municipal Year.

3.0    **Implications**

3.1    In making its decision the Committee should be aware of the following implications of moving to evening meetings:

**Public engagement:**

Meetings such as the Cabinet and Planning and Highways Regulatory Committee have schemes encouraging public engagement through speaking at meetings. Members may feel that these meetings should be held in the evenings in order to encourage public participation but this needs to be balanced against the knowledge that both Cabinet and Planning can be lengthy meetings and dealing with complex issues late at night is not ideal. The scheme for the Planning and Highways Regulatory Committee is popular despite being during the day, with the general public requesting to speak at meetings on a regular basis. Meetings of this Committee commence at 10.30 am in the morning.

Public speaking at Cabinet is a new initiative and it is as yet too early to judge on its success.

The Overview and Scrutiny Committee also invites the public and representatives from outside organisations to attend meetings and for this reason its start time has been fixed at 6pm, with the Budget and Performance Panel at 4.30pm.

**Participation by other Organisations:**

A number of meetings require participation by representatives from other organisations. Members are requested to consider the requirements of each prior to making a decision on the commencement of each meeting. In a number of cases representatives of other organisations may not be available to attend evening meetings.

**Constitutional changes:**

If there were changes to the times of meetings consideration may need to be given, in some circumstances, to amendments to other elements of the Constitution, particularly where a given timescale is set out for the production of Minutes (ie Cabinet minutes etc).

**Operational issues:**

There are a number of operational issues that will affect Service delivery within the Council. With regard to Democratic Services, for instance, a move to all evening meetings would require a change to their working practices which will impact on the way in which the service is delivered during normal office hours. Changes to terms and conditions will also need to undergo the usual process of consultation and negotiation with the staff concerned and unions. This would also be the case if the number of evening meetings were increased beyond a threshold of what is sustainable under the current working arrangements, say 50% of meetings commencing at 6pm or later.

There would also be staffing issues with regard to Property Services who would be required to cover the opening of Council buildings in the evenings/provide refreshments etc and Officers from other Services who may have to attend meetings to present reports and provide specialist advice to Members. There are also potential health and safety issues to be addressed such as door security during the evenings.

**Staff Views:**

Democratic Services:

Democratic Support staff who would be affected by any change are aware of this report. Should a large scale move to all evening meetings be proposed negotiations may be required to amend officers' terms and conditions of service.

Property Services:

Property Services staff have commented on the potential cost implications of paying overtime rates and extending heating times in the winter. It should be noted that holding evening meetings in Lancaster Town Hall rather than Morecambe is preferable as the number of rooms available means that there are often public bookings at the same time negating to some extent the additional cost implications and security risks.

**Training Events:**

A number of training events have recently been held in both the daytime and evenings. The Induction event held at Morecambe Town Hall in the daytime was attended by more Councillors than the evening event at Lancaster Town Hall. However, this may have been for a number of reasons and feedback on these events has yet to be carried out. A comment from a member regarding these events is set out in the Members comments section of this report.

4.0 **Member Comments**

4.1 Further comments were invited from Members as part of the exercise, details are set out below which may be of use to the Committee in coming to a decision:

Refreshments at afternoon and evening meetings.

Members can choose which Committees they are on depending on their other commitments. There are far fewer than when I first started.

I feel the members of each Committee should have the final say on when to meet.

At least one other Committee should meet later so that working members have more choice. Personnel could be a late meeting as it is usually a short meeting.

Younger Councillors need to have opportunity to gain experience on different Committees. Therefore, we need more evening meetings.

Refurbishment of Morecambe Town Halls Committee Rooms to allow more meetings to take place at Morecambe Town Hall.

If younger people are to be involved in the Council, meetings have to take place outside of work hours.

Meetings should commence based on their past average duration. Not too many long meetings in the evening.

I believe that meetings should be equally balanced between daytime and evenings allowing all Members to take an active role in the Council. Currently only two meetings commence at 6pm. Therefore those who work full time are only able to put themselves forward to be Members of these Committees.

Some training offered to Councillors has only been scheduled for during the working day. Councillors who work are unable to benefit from the training provided.

5.0   **Cabinet Member Views**

5.1   As Members maybe aware paragraph 1.6, Part 4, Section 4 of the Constitution states:

**1.6     Cabinet Meetings - When and Where ?**

The Cabinet will meet monthly, alternating between Lancaster Town Hall and Morecambe Town Hall on dates **and times to be agreed by the Members of the Cabinet, to be confirmed by Full Council on an annual basis.**

In accordance with the Constitution Members of Cabinet have been consulted on the commencement time of the meeting.  At the time of writing this report 5 responses have been received advising that Members request that meetings continue with the existing commencement time.

6.0   **Times and average length of meetings**

6.1   For information the current time for each meeting and the average length of meeting times of Council meetings for the previous Municipal Year are set out below:

| Meeting | Time | Average length of meeting last year | Frequency |
|---|---|---|---|
| Annual Council | 12 noon | 1 hour. | 1. |
| Council | 2.00 pm | 3 hours 10 mins. | 8 (including budget and special Councils). |
| Cabinet | 10.00 am | 2 hours 35 mins. | 11. |
| Budget and Performance Panel | 4.30 pm | 1 hour 45 mins. | 9. |
| Overview and Scrutiny Committee | 6.00 pm | 2 hours 35 mins. | 9. |
| Planning and Highways Regulatory Committee | 10.30 am | 4 hours. | 12. |
| Licensing Regulatory Committee | 2.00 pm | 1 hour 50 mins. | 8. |
| Licensing Act Committee | 2.00 pm | 1 hour. | 6 (with Sub-committees called as required). |
| Personnel Committee | 2.00 pm | 1 hour 10 mins. | 7. |
| Audit Committee | 6.00 pm | 1 hour 20 mins. | 4. |
| Council Business Committee | 4.00 pm | 1 hour 25 mins. | 8. |
| Standards Committee | 10.00 am | 50 minutes. | 4. Additional meetings of this Committee may |

| | | | have to be called for any Hearings that may need to be considered |
|---|---|---|---|
| | | | |

These commencement times are as stated by the Constitution or confirm current practice, divided between Morecambe and Lancaster Town Halls with a variety of start times.

6.2    Members are advised that Democratic Support also services a number of other meetings that are not included in the timetable.  These meetings include Partnerships, Task Groups, Cabinet Liaison Groups and also Chairman's Briefings, which, in view of the work commitments of some Members, are held in the evenings.  Details are provided below:

| Meeting | Time | Average length of meeting last year | Frequency |
|---|---|---|---|
| **Cabinet Liaison Groups:**<br><br>Canal Corridor<br><br>**Note:**  Cabinet, at its meeting held on 5th June 2007, resolved that no meetings will be arranged until after the conclusion of the planning application stage of the development. | 9.30am | 2 hours 30 mins. Meetings can last up to a full day. | 5 in the previous Municipal Year. |
| Lancaster and District Chamber Cabinet Liaison Group | 5.00 pm | 2 hours. | 2 a year. |
| Lancaster University and St. Martin's College Cabinet Liaison Group | 5.00 pm | 1 hour 30 mins. | 3 a year. |

| | | | |
|---|---|---|---|
| Morecambe Cabinet Liaison Group | 6.30 pm | 1 hour 35 mins. | Quarterly. |
| Planning Policy | 10.00 a.m. (1.00 p.m. on one occasion). | 2 hours 6 mins. | 3 over 2006/07 (meetings scheduled when required). |
| Transport | 1.00pm. | 50 minutes. Only 1 meeting serviced by Democratic Support in the previous Municipal Year. Meeting commenced at 1.00 pm. | Meetings to be called as and when required. |
| **Partnerships:** West End Partnership | 6pm | 2 hours 30 mins. | 11 meetings. Usually once a month. |
| Poulton Neighbourhood Management | 5.30pm | 2 hours. | 11 meetings. Usually once a month. |
| CARP | 7pm | 2 hours 30 mins. | 14 meetings. Usually once/twice a month. |
| Luneside | 10am and 2pm (alternates times) | 2 hours. | 4 meetings. Quarterly. |
| LDRP | 5pm | 1 hour 30 mins. | 5 meetings. Usually quarterly. |
| Museums | 2.30pm | 2 hours. | 2 meetings a year. |
| LSP | 10am and 1.30pm (alternates times) | 2-3 hours. | 9 meetings. Once a month. |
| EDBB | 9.30am and 1.30pm 5.30pm (alternates times) | 2 hours. | 6 meetings. Every two months. |
| Vision Board | 8am and 10.30am and 1.30pm (alternates times) | 2 hours 30 mins. | 9 meetings. Once a month. |
| **Task Groups:** | | | |

| Cemeteries | 10.00am | 1hour 35 mins. | Met on one occasion - 16th June 2006 to consider the final report. |
|---|---|---|---|
| Fly Tipping | Usual start time 2pm - at LTH (one occasion 6pm at MTH) | 1 hour 13 mins. | 5 meetings from 8th June 2006 - 22nd November 2006 on an ad hoc basis. |
| Grants | 6pm | 1 hour 36 mins. | 5 meetings - from 2/11/06 - 22/2/07. |
| Homelessness | 6pm, with the exception of 1 meeting that commenced at 10.30am. | 1 hour 30 mins. | 9 meetings (plus several site visits - 3 evening, 1 during day) - from 8/5/.06 - 8/2/07. |
| Pollution | 6pm, with the exception of the first meeting that commenced at 7pm. | 1 hour 32 mins. | 5 meetings (plus one planned for 11th June and several informal meetings held at night - from 4/4/06 - 17/4/07). |

7.0 **Conclusions**

7.1 As previously mentioned the results of the Survey are set out at Appendix 1. The results of the survey are inconclusive and there is insufficient evidence, based on the survey, to make recommendations to Members on the alteration of the commencement times of meetings. However, the Committee may feel that there is a need for more public engagement/involvement particularly where there is interest from the general public in the Agenda, or where they may be invited to partake in some way.

7.2 Members are asked to consider the options set out in the report in order for the publication of times of meetings for 2007/08.

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

None.

**FINANCIAL IMPLICATIONS**

If an increased number of meetings were to be held in the evenings there may be additional costs associated with the opening of the building and staffing and whilst there is some flexibility within the existing Democratic Representation budget, if Members wish to make large scale changes to the timetable as currently published this will need to be evaluated.

**SECTION 151 OFFICER'S COMMENTS**

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

**LEGAL IMPLICATIONS**

It is a legal requirement that the Council publishes its timetable of meetings by the commencement of each Municipal Year. Amendments can be made throughout the year provided at least 5 days notice is given.
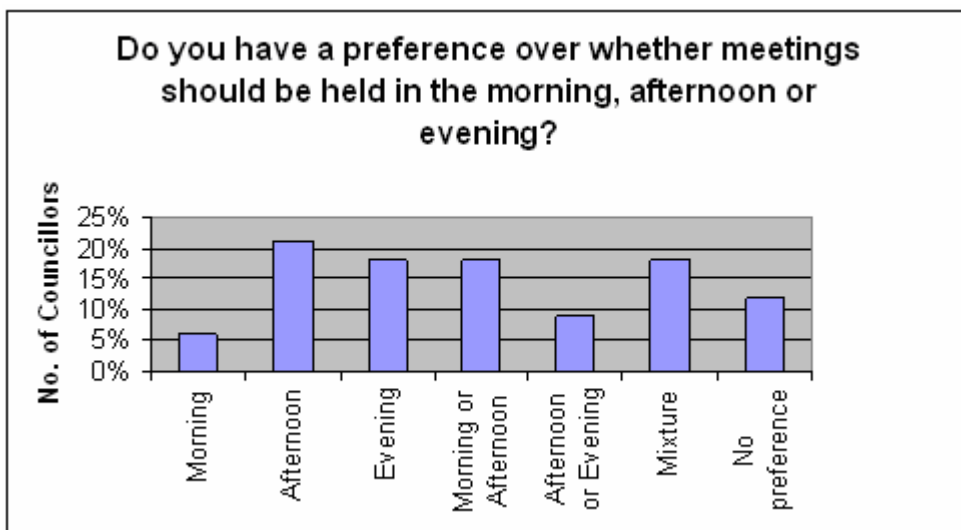
**MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has been involved in the preparation of this report and has no comments to add.
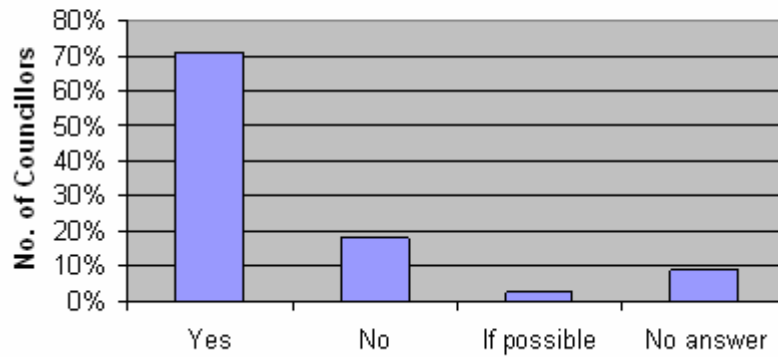
| **BACKGROUND PAPERS** | **Contact Officer:** Stephen Metcalfe |
|---|---|
| Consultation responses from Members. | **Telephone:** 01524 582073 <br> **E-mail:** smetcalfe@lancaster.gov.uk <br> **Ref:** Sjm |

## ANALYSIS OF CONSULTATION RESPONSES



Are you employed/retired/other



Do you have other responsibilities which restrict the times when you can be available for Council meetings?



Do you have a preference over whether meetings should be held in the morning, afternoon or evening?

Do you feel that the times meetings commence at should be based on their past average duration?



Please advise the specific time you feel meetings should commence?
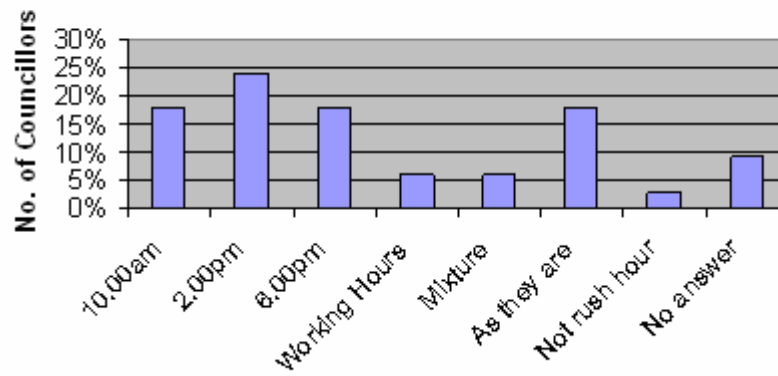
**AUDIT COMMITTEE**

# Local Government Ombudsman – Annual Letter 2006/07

## 19th September 2007
## Report of Head of Information & Customer Services

### PURPOSE OF REPORT

The Commission for Local Administration in England has recently published its Annual Letter and Report for 2006/07, which gives an overview of the work undertaken by the Ombudsmen, along with detailed statistics of complaints received and investigations carried out.  This report highlights particular matters in the report, which may be of interest to Members and sets out the content of the Annual Letter for this District.

This report is public

1.      **RECOMMENDATION**

**(1)    That the Ombudsman's Annual Letter for 2006/07 be noted.**


**(2)    That Members consider whether any comments should be submitted to the Ombudsman on the form of the Annual Letter.**

**(3)    That Members consider whether it would be helpful to invite the Ombudsman to to make a presentation to Members and/or officers on how complaints are investigated and/or to discuss complaint handling in general.**

2.      **REPORT**

2.1    **Background**

The Local Government Ombudsmen's stated purpose is to provide independent, impartial and prompt investigation and resolution of complaints of injustice caused through maladministration by Local Authorities and to offer guidance in intending to promote fair and effective administration in Local Government.

For administrative purposes the country is divided into three broad geographical areas. The three Local Government Ombudsmen are based at offices in either London, Coventry or York. This Council would deal normally deal with the York office, however the Ombudsman at the York office was previously employed by this Council. To ensure that complaints against this Council are dealt with in an independent and impartial way this Council deals with the Coventry office.

2.2    **Key Issues in 2006/2007**

The Local Government Ombudsmen have included in the Annual Report the following main issues, which are summarised for Members' information: -

(a)     Performance

In 2006/07 the Ombudsmen received a total of 18,320 complaints, compared with 18,626 in the previous year – a decrease of 1.6 per cent.  Housing benefit complaints have continued to fall as a result of improved council administration systems.  . Complaints about antisocial behaviour have increased significantly in the year (13.5 percent). The total number of complaints where redress was obtained was 3,088 – 28.9 per cent of all complaints determined. Reports on completed investigations where there was a finding of maladministration were issued on 138 complaints. The remaining 2956 were the subject of a local settlement.

The monitoring of the Ombudsmen's performance in deciding cases indicates that the percentage of complaints determined within 13 and 26 weeks has reduced slightly each year and the number of outstanding cases more than 52 weeks old has increased. The Ombudsmen have stated that this was due to the improvement in local authorities' handling of complaints which means that a higher proportion of the cases referred to the Ombudsmen are now more complex and contentious and take more staff time to resolve. There will always be a small minority of complaints which will take more than 12 months to decide, either because of their complexity, or because of external factors (such as the illness of the complainant).

(b)     Promoting Awareness and Providing Advice

The Ombudsmen have continued to work on widening access to their service through improved awareness among the advisory and voluntary sector. Feedback from the ongoing programme of outreach work shows that visits give staff in these organisations a better understanding of the role of the Ombudsmen and the complaints which can be investigated.
Guidance notes and training courses are also provided for council officers involved in co-ordinating complaints responses and the initiative of providing an Annual Letter offering an analysis of complaints statistics to all Councils has been continued. Details of this Council's Annual Letter are set out under paragraph 2.3 below.

A digest of cases is also published each year illustrating the nature of the work and type of complaints most commonly received.

(c)     Website

Further information regarding the Annual Report and other publications can be found on the Ombudsmen's Website.  The address is: http://www.lgo.org.uk.

**2.3     Complaints against Lancaster City Council**

The Ombudsman first issued Annual Letters for individual authorities 3 years ago. The purpose of the Annual Letter is to give the Ombudsman's reflections on the complaints received against this Council and dealt with by the Ombudsman's Office over the last year.  It is intended that the letter will provide a useful addition to other information held by the Council and highlight how people experience or perceive the services offered and in particular will: -

- Help the Council learn from the outcome of complaints;

- Underpin effective working relations between the Council and the Ombudsman's Office;
- Identify opportunities for the Ombudsman and his staff to provide assistance that a Council may wish to seek in bringing improvements to its internal complaint handling;
- Provide complaint-based information that the Council might find useful in assessing and reviewing the Council's performance.

Annual Letters have been published on the Ombudsman's website and shared with the Audit Commission.

(a)     Complaints received

The Ombudsman advises he has **received** 31 complaints from residents of the City, a significant increase on the 17 received in the previous year. However these fluctuations over time are as expected.  The number of complaints remains small in relation to the many decisions taken by the Council on behalf of its citizens each year.

Seven complaints were about benefits, five about public finance, and six about housing. Two complaints were about planning and three about highways.  Of the eight complaints in the 'other' category, five were about anti-social behaviour, two were about environmental health and one 'miscellaneous'.

(b)     Reports and local settlements

The Ombudsman uses the term 'local settlement' to describe the outcome of a complaint where, during the course of his investigation, the Council takes, or agrees to take, some action which he considers is a satisfactory response to the complaint and the investigation does not need to be completed. These form a significant proportion of the complaints determined by the Ombudsman.

Two complaints were settled locally. One concerned a failure to notify the complainant about a small outstanding balance for street works which was registered as a land charge. The Council agreed to refund the complainant £282, the interest accrued over 19 years, and to review the procedures for handling old accounts. In a complaint about environmental health, the Council agreed to pay the complainant £500 to reflect failure to notice non-compliance with building regulations for a neighbour's oil storage tank and the delay in resolving the matter. The total compensation paid was £782.

The Ombudsman has stated that he was grateful to the Council for its assistance in settling these complaints.

When the Ombudsman completes an investigation he must issue a report. No reports were issued against the Council during the year.

(c)     Decisions on complaints

31 complaints were decided during the year. Of these six were outside the Ombudsman's jurisdiction for a variety of reasons.  Eight complaints were premature and as mentioned above two were settled locally. The remaining fifteen were not pursued because no evidence of maladministration was seen, or because it was

decided for other reasons not to pursue them.

(d)     The Council's complaints procedure and handling of complaints

The Ombudsman's view is that that the Council's complaints process appears clear and is readily available on the website. Complaints can be made online, a facility increasingly valued by citizens.  No issues arose in the complaints investigated which relate to the complaints process. The Ombudsman is pleased that, as requested last year, the Council has now included a link to their website in the same way as for the Standards Board.

(e)     Liaison between the Ombudsman's Office and the Council.

Enquiries were made on ten complaints this year, and the average time for responding was a commendable 29 days. This is a real improvement on the 35 days it took last year and is very close to the target time of 28 days.

(f)     Conclusions and general observations

The Ombudsman has made no further specific comments on the Council's performance regarding complaint handling but has again requested any comments on the form and content of the letter.  He has also said that he would be happy to consider requests to visit the Council to present and discuss the letter with Councillors or staff.

**The Committee is requested to consider whether any comments should be submitted to the Ombudsman on the form of the Annual Letter, and whether it would be useful to request attendance of a representative of the Ombudsman to discuss complaint handling with Councillors and/or staff.**

4.     **Breakdown of Complaints against Lancaster City Council**

A total of **31** complaints against this Council were **received** by the Ombudsman during 2006/2007.  These can be broken down as follows: -

3       Highways

6       Housing (not including Housing Benefit issues)

7       Housing Benefit

8       Other

2       Planning issues

5       Public Finance

The **decisions** of the Ombudsman can be summarised as follows: -

11      No evidence of maladministration

4       Ombudsman's discretion

| 2 | Local Settlement |
| 6 | Outside Local Government Ombudsman's jurisdiction. |
| 8 | Premature complaints |

## 5.  Officer Comments

Since April 2006, the Information Management Officer has been responsible for co-ordinating replies and ensuring that Service based officers keep to the average response times required by the Ombudsman, currently 28 calendar days.   The Council's response time has improved to 29 days for 2006/07 compared to 35 days for 2004/05 and 2005/06. This was almost a return to the 28 days reported in 2003/04.  This seems to show that the current approach has been effective in improving our responses.  In  February 2007, the Information Management Officer transferred to Information and Customer Services from Democratic Services and there has been a focus on improving the turnaround of these responses further with the aim of reducing the response time to an average of 20 days. A new database recording correspondence has been introduced to allow us to manage the process more effectively.

 The Ombudsman mentions specifically that the Council's link officer has attended local training run by the York Ombudsman's office but notes that no one has attended Coventry's annual link officers' seminar recently. The Council's link Officer will be attending this November.

The Ombudsman has also offered to visit the Council and give a presentation about how complaints are investigated and it is suggested that such a presentation for Service Heads in particular could be beneficial in ensuring an understanding of the process and the benefits which can be obtaining from using complaints as a performance management tool.

For the current year the latest figure is 23 days.

**The Committee is requested to consider whether it would be useful to invite the Ombudsman to give a presentation to the Council on how complaints are investigated.**

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**CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)**

No direct impact

**FINANCIAL IMPLICATIONS**

Any financial implications attached to individual cases have been outlined in the body of the report.

**SECTION 151 OFFICER'S COMMENTS**

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

**LEGAL IMPLICATIONS**

There are no direct legal implications as a result of this report.

**MONITORING OFFICER'S COMMENTS**

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

| **BACKGROUND PAPERS** | **Contact Officer:** Caroline Thompson |
|---|---|
| Local Government Ombudsmen's Annual Letter and Report 2006/2007. | **Telephone:** 01524 582192<br>**E-mail:** csthompson@lancaster.gov.uk |

**AUDIT COMMITTEE**

## STATEMENT OF ACCOUNTS 2006/07
## 19 SEPTEMBER 2007

## Report of Head of Financial Services

| PURPOSE OF REPORT |
| --- |
| This report updates Members on the outcome of the audit of the draft Statement of Accounts for 2006/07. |

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| **This report is public.** |

**RECOMMENDATIONS**

(1) **That the Committee notes the annual governance report for 2006/07 issued by the Audit Commission, and the letter of representation signed by the s151 Officer, and makes any other recommendations as appropriate.**

**REPORT**

1.1 At the last Committee meeting held on 27 June the draft Statement of Accounts for 2006/07 were presented for approval, together with information on the audit process. The District Auditor commenced the audit of accounts on Monday 02 July.

1.2 The audit is now substantially complete and the Auditor is currently producing an annual governance report for Members' consideration. This will be circulated as soon as it has been received.

1.3 The District Auditor will also be attending the meeting to present his report but in summary, the main conclusions are expected to be as follows:

- It is anticipated that an unqualified opinion on the 2006/07 Accounts will be issued. A small number of adjustments have been made to the accounts since they were presented to Committee in June, but it is important to note that they do not have any impact on the Council's overall financial position, or on its balances.

- An unqualified conclusion on value for money is also expected. In essence this would mean that the Auditor is satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

1.4 A copy of a 'letter of representation' will also be circulated as soon as it is available. The letter will be signed by the Section 151 Officer but the Committee is also requested to note it. This is on the basis that those charged with governance should be aware of the representations on which the auditor relies, in expressing his opinion on the Accounts.

1.5 Once the governance report and the letter of representation have been considered, it is expected that the District Auditor will complete his statements and conclude his audit, in order that the final audited Accounts can be published by the deadline of 30 September.

---

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

No implications directly arising.

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**FINANCIAL IMPLICATIONS**

There are no financial implications directly arising.

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**DEPUTY SECTION 151 OFFICER'S COMMENTS**

This report was prepared by the s151 officer as part of her responsibilities.

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**LEGAL IMPLICATIONS**
Legal Services have been consulted and have no comments to add, subject to receiving the Auditor's report.

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**MONITORING OFFICER'S COMMENTS**
The Monitoring Officer has been consulted and has no comments to add, subject to receiving the Auditor's report.

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| **BACKGROUND PAPERS** | **Contact Officer:** Nadine Muschamp |
| Statement of Accounts 2006/07. | **Telephone: 01524 58**2117 |
| Accounting and Audit Regulations 2003. | **E-mail:** nmuschamp@lancaster.gov.uk |
| | **Ref:** |

# Agenda Item 8

## AUDIT COMMITTEE

### 19<sup>th</sup> September 2007

### Statement of Internal Control & Corporate Governance

### Report of Corporate Director (Finance & Performance)

| PURPOSE OF REPORT |
| --- |
| To update the Committee on the latest position in respect of signing off the Statement of Internal Control & Corporate Governance (SIC & CG) |
| **This report is public** |

**RECOMMENDATION**

**That the Committee consider the Leader's request to amend the Statement of Internal Control & Corporate Governance, approved at the Committee's last meeting, prior to signing off.**

**1.0    Introduction**

1.1    At its last meeting, the Committee agreed ( minute 7 refers) that :-

*….the Statement of Internal Control & Corporate Governance for 2006/7 be approved for signing by the Leader of the Council, the Chief Executive, Section 151 Officer, and Monitoring Officer.*

1.2    Regarding the matter of approving the statement, CIPFA Guidance (which is cited as proper practice by the Account & Audit Regulations) says the following:

*4.3  The SIC should be approved at a meeting of the authority or delegated committee. Whilst there is no statutory timetable for this approval, the SIC must be published with the financial statements and so the publication timetable will drive the SIC approval timetable.  As the SIC will be read alongside the financial statements, it is important that it is up to date at the time of publication.  In considering whether to approve the SIC, the relevant body should seek to satisfy itself that it has obtained sufficient, relevant and reliable evidence to support the disclosures made.  Following approval it should be signed by the most senior officer and the most senior member of council.*

And;

*4.4  The SIC should include the action plan to address any significant internal control issues.*

1.3     In recognition of the fact that the Statement deals with financial control and corporate governance arrangements, the Council's accepted practice is for the two statutory officers, the Section 151 Officer and the Monitoring Officer, to sign the statement in addition to the Leader and Chief Executive.

1.4     Since the last meeting, the Chief Executive, the Section 151 Officer, and the Monitoring Officer have all signed the approved Statement.

1.5     However, in considering the Statement, the Leader has suggested that the Committee may wish to consider strengthening it by the inclusion of the following paragraph into Section 5:

*Following the Council meeting on 20$^{th}$ June 2007 a further process has been introduced to ensure that Members are formally briefed on all the risks and implications involved in the event of a Motion to Council.*

1.6     The process referred to above is not a formal requirement within the Constitution although it has been custom and practice for officers to provide advice on Council Motions when considered appropriate.  Over the 2006/07 financial year, the following motions were also considered by Council:

- Sustainable Communities Bill (Feb 2007)
- Rail transport - loss of services (Feb 2007)
- Micro renewable Technology (Feb 2007)
- Traffic Calming near schools(Dec 2006)
- School Bus Fares Increases(Dec 2006)
- Privatisation of NHS (Sept 2006)
- Piccadilly Gardens (Sept 2006)
- Top Up Fees for Students(Sept 2006)
- Climate Change Action (July 2006)

1.7     Briefing notes were provided on any potential implications for the Council, where considered necessary, and in view of this and the topics considered, the relevant officers involved in the SIC&CG do not consider that there are any significant control issues arising that are not already highlighted in the Statement itself.  (The relevant officers include the three Statutory officers who sign the Statement, the Corporate Director (Finance & Performance) and the Internal Audit Manager.)

1.8     In addition to the relevant financial year, the Statement on Internal Control & Corporate Governance covers the period up to the date of its signing.  The M6 Link motion considered at Council on 20$^{th}$ June 2007 is therefore relevant to the statement.  The procedures followed for this item were the same as those followed for the other motions during the preceding year and a judgement was made as to whether or not a briefing note to Council was prepared.  In this case it was and it is the view of the Chief Executive that this briefing note satisfactorily covered the risks and provided the opportunity for Members to ask questions of officers during the meeting.

1.9     In considering the draft SIC&CG on 27th June, Audit Committee did review aspects of risk management (the new policy and strategy were also elsewhere on the agenda), and through the debate, it was clear to officers that the Committee was clear on the current risk management position.  It accepted the SIC for approval, however, and therefore it is reasonable to assume that it accepted the risk management comments included in the SIC as reasonable.

1.10    Notwithstanding the views expressed by officers on this issue, Members will note that a report elsewhere on this Agenda recommends that the informal process referred to is formalised by inclusion in the Constitution.

1.11    The issue for the Committee to consider in terms of the Statement of Internal Control & Corporate Governance is whether the procedures in place throughout the year in question constituted a significant control weakness worthy of disclosure.  The criteria for this are whether the weakness presented the risk of a significant loss on the part of the Council, whether in terms of finance, reputation or unfulfilled objectives, or alternatively that a specific event had actually caused such a loss.

1.12    The Committee should note that the Leader has been invited to attend the meeting.

## 2.0    Options & Options Analysis

2.1     Option 1

To agree to the Leader's request for the inclusion of the additional paragraph in the Statement prior to formally signing off.

2.2     Option 2

Not to amend the SIC&CG.

## 3.0    Conclusion

3.1     Previously, the Committee had approved the Statement as attached as **Appendix A** and sought the appropriate signatories to sign the document off. The relevant officers had appended their signatures as requested by the Committee but have not been able to publish the Statement until the Leader has signed it off.

3.2     Committee are therefore asked to consider the Leader's request to amend the Statement as set out in 1.3 of the report.

| CONCLUSION OF IMPACT ASSESSMENT **(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** |
| --- |
| None arising from this report |

| FINANCIAL IMPLICATIONS |
| --- |
| None arising from this report |

| SECTION 151 OFFICER'S COMMENTS |
| --- |
| The Section 151 Officer has been consulted and has no further comments. |

| 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 further comments. |

| BACKGROUND PAPERS | Contact Officer: R Muckle |
| --- | --- |
| None | **Telephone**:  01524 582022 **E-mail:** rmuckle@lancaster.gov.uk **Ref:** rcm/jeb |

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## AUDIT COMMITTEE

# Audit Commission IT Reports
# 19<sup>th</sup> September 2007

# Report of Head of Information & Customer Services

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### PURPOSE OF REPORT

To provide information on two recent Audit Commission Reports in respect of "IT Risk Assessment" and "Your Business @ Risk" and the actions that have either been taken or agreed.

**This report is public**

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**RECOMMENDATIONS**

**(1)    That the Audit Commission reports and resultant action plans be noted.**

**1.0    Introduction**

1.1    The Audit Commission undertook two recent reviews – the IT Risk Assessment review which looks at the IT control environment and the Your Business at Risk assessment which used a Council-wide online survey to assess awareness of risks associated with new technologies and highlights any problematic areas.

**2.0    Report Details**

2.1    Each report covers the current situation and makes a small number of recommendations which will further strengthen the Council's position in these two crucial areas. The recommendations and resultant agreed actions are in appendices to the report. Most of the recommendations are around reminding officers of the issues and their responsibilities and this will be done via a comprehensive item on the First Brief system. Briefing. Most other recommendations are minor and can be dealt with within existing budgets other than the recommendation to review the IT training budget. This issue will be pursued through the Star Chamber process if it identifies the need for additional resources.

**3.0    Details of Consultation**

3.1    Not applicable

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

4.1    Option1

To note the reports and resultant action plans as recommended.

4.2    Option 2

To note the reports and agree amendments to the action plans.

The officer preferred option is option 1

**5.0    Conclusion**

5.1    The Audit Commission concluded that overall the IT control environment was reliable and awareness of IT risks was around the national average. Completing the recommended actions will further secure these areas.

| **CONCLUSION OF IMPACT ASSESSMENT**<br>**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**<br><br>None arising from this report |
| --- |
| **FINANCIAL IMPLICATIONS**<br><br>There are no financial implications arising at the moment as a result of this report. The I.T. training budget and building security is to be reviewed and any requests for growth will be reported as part of the 2008/09 budget process. |
| **SECTION 151 OFFICER'S COMMENTS**<br><br>The Section 151 Officer has been consulted and has no further comments |
| **LEGAL IMPLICATIONS**<br><br>None arising from this report |
| **MONITORING OFFICER'S COMMENTS**<br><br>The Monitoring Officer has been consulted and has no further comments. |

| **BACKGROUND PAPERS**<br><br>None | **Contact Officer:** Jane Allder<br>**Telephone:  01524 58**2097<br>**E-mail:** jallder@lancaster.gov.uk<br>**Ref:** IS10 |
| --- | --- |

Performance Summary Report

June 2007

# Your Business @ Risk

## Lancaster City Council

## Audit 2006/2007

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.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;

- 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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**Status of our reports to the Council**

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- any member or officer in their individual capacity; or

- any third party.

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www.audit-commission.gov.uk

# Contents

# Introduction

1   The growth in the use of newer technologies to give greater public access has resulted in increased risks for public sector bodies. Computer viruses, IT fraud, hacking, invasion of privacy and downloading of unsuitable material from the internet remain real threats to many organisations. Confidence in technologies that are influencing the way we live and work is being eroded and organisations must address these issues if the increased use of new technology is not to be matched by a similar increase in IT abuse.

2   An Audit Commission report, published in 2005, concluded that although organisations have got better at establishing anti-fraud frameworks, cultures and strategies, failures in basic controls are still a problem and the upsurge in the use of newer technologies has not been matched by enhanced security measures.

3   The Audit Commission has developed an online survey, designed to help organisations to:

- raise awareness of the risks associated with their increasing use of technology;

- gauge the level of knowledge within their organisations of such risks;

- highlight areas where risks are greatest; and

- take positive action to reduce risks.

4   As part of our audit of Lancaster City Council (the Council), we ran the above online survey in April 2007. This brief report summarises the responses by staff at the Council. The full survey results are reproduced in Appendix 1 and the report highlights positive messages and identifies any areas of significant weakness where further action is necessary. The results were compared with the Commission's national database which currently contains almost 15,000 responses from around 80 public sector organisations.

# Main findings and conclusions

5   Our conclusions are based upon responses from 209 users and 11 ICT staff from a total of all council employees requested to take part in the survey.

6   Overall, the results are around the national average for users of IT and concerns are mostly around the lack of awareness of the fraud strategy and the lack of knowledge of the procedures for reporting security incidents.

7   The survey shows that the level of awareness of IT staff is also around the national average but that there are areas where improvements are needed, particularly in relation to change control procedures.

8  As the survey is based on the perceptions of respondents, the issues that arise often relate to the need to improve communication, provide more information and training. However, it may also point to areas where improved procedures are required. The main areas highlighted by the survey include the following.

- Lack of awareness of documented change control procedure among IT staff.
- Lack of knowledge for reporting security incidents.
- Lack of awareness of the Data protection officer.
- Knowledge of key areas of relevant legislation.

9  Key messages are drawn out in Table 1 and we have summarised the recommendations and will include management responses when discussed and agreed with officers. Appendix 1 and 2 provide a summary of the survey questions and the results for the Council.

## Recommendations

| *Recommendations* |
|---|
| R1  *Ensure that Change Control procedures are documented, understood and used.* |
| R2  *Develop a programme to ensure all users understand how to deal with viruses.* |
| R3  *Ensure that systems which are most at risk from fraud are identified and protected accordingly.* |
| R4  *Improve awareness of staff of the Council's counter-fraud arrangements (including 'whistleblowing' under the Public Interest Disclosure Act).* |
| R5  *Take steps to prevent users from copying and installing software on their PCs.* |
| R6  *Raise awareness of the identity of the Data Protection Officer and the responsibilities of individuals under the Act.* |
| R7  *Ensure that all PCs are set to time out after a period of inactivity.* |
| R8  *Increase IT legislation awareness through improved induction and ongoing training programmes.* |
| R9  *Educate all staff, regarding the existence of the IT Security policy. Ensure users are aware of the mechanism for reporting a security incident.* |

## The way forward

10  The council may find it beneficial to carry out this survey again at a future date to measure any improvements that have been made.

**6** Your Business @ Risk | Audit Summary Report

## Table 1    Key messages

A brief summary of responses to our survey covering both dedicated ICT staff and departmental business systems users.

### Business disruption risk

| Positive messages | Areas requiring attention | Suggested action |
|---|---|---|
| IT staff are confident about the processes in place to prevent virus attacks. | IT staff did not consider that Change Control procedures were adequately documented or used. | Ensure that Change Control procedures are documented, understood and used. |
| 100 per cent of IT staff are aware that a firewall protects the network. | Users do not feel they have the information necessary to deal with virus infections. | Develop a programme to ensure all users understand how to deal with viruses. |
| 100 per cent of IT staff are confident that servers are sited securely and have restricted access. | | |

**Lancaster City Council**

Your Business @ Risk | Audit Summary Report **7**

**Figure 1    Risk of business disruption (users)**
Results for council versus national results

Risk of Business Disruption - Users
Percentage 'Yes' Answers



☐ Lancaster City    ■ National Average (%)
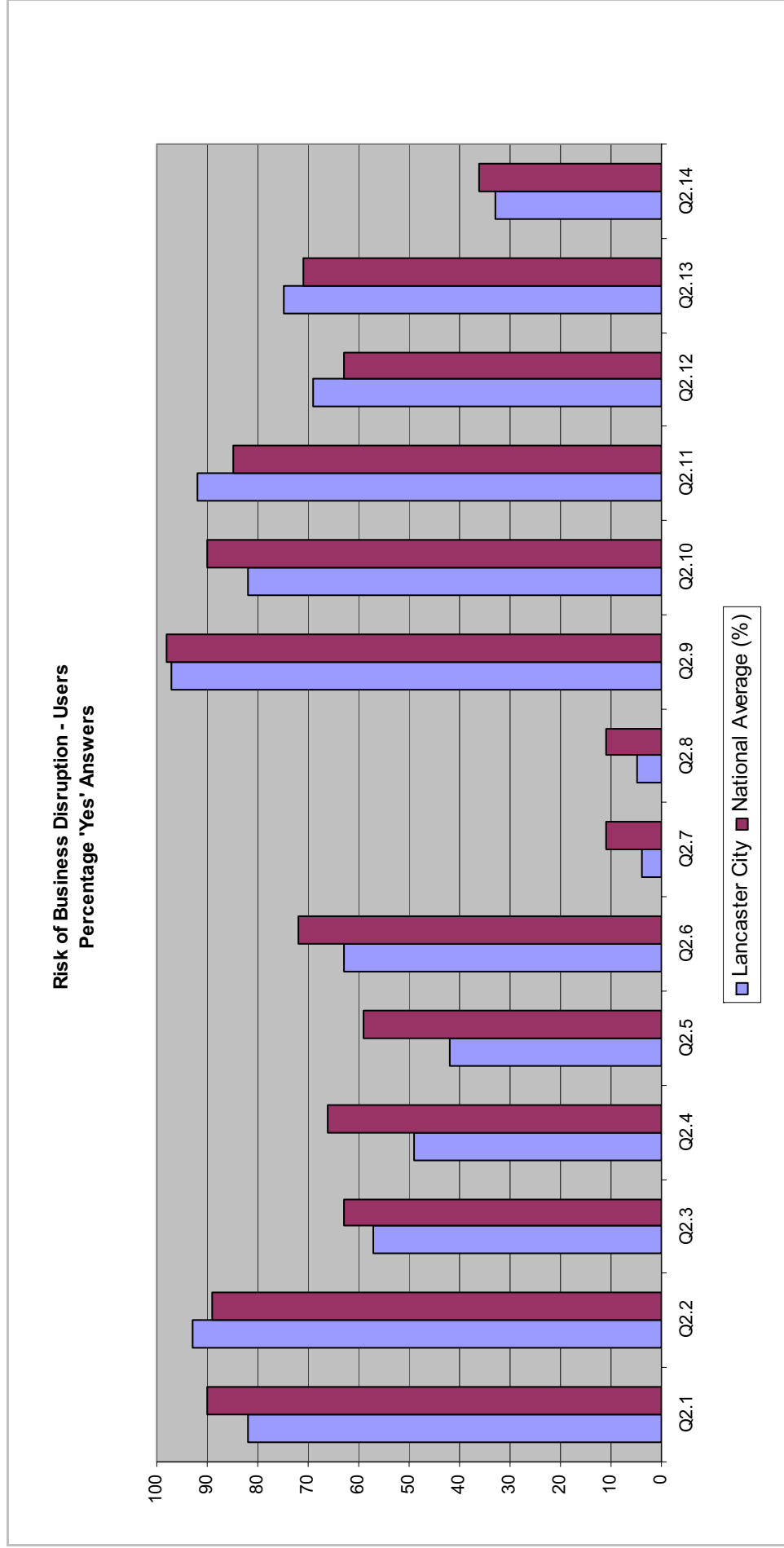
*Source: YB @R: Audit Commission*
*(Responses to Q2.7 and 2.8 on computer virus infection are better if lower than the national average).*

**Lancaster City Council**

**8** Your Business @ Risk │ Audit Summary Report

## Figure 2    ICT staff results: risk of business disruption



The Risk of Business Disruption IT Staff
Percentage 'Yes' Answers

Legend: Lancaster City — National Average %

*Source: YB @R: Audit Commission*

**Lancaster City Council**

Your Business @ Risk | Audit Summary Report **9**

## Financial loss risk

| Positive messages | Areas requiring attention | Suggested action |
|---|---|---|
| 90.9 per cent of IT staff consider that access to systems is only granted to those who need it. | Only 18.2 per cent of IT staff consider that the systems most at risk from fraud have been identified. | Ensure that systems which are most at risk from fraud are identified and protected accordingly. |
| . | Only 43 per cent of users are aware of the anti-fraud policy and only 22 per cent are aware of the key elements. | Improve awareness of staff of the Council's counter-fraud arrangements (including 'whistleblowing' under the Public Interest Disclosure Act). |
| | Only 50 per cent of users and 18.2 per cent of IT staff consider there are controls in place to stop the copying and installation of software. | Take steps to prevent users from copying and installing software on their PCs. |

**10** Your Business @ Risk │ Audit Summary Report

**Figure 3    Risk of financial loss Council versus national results**



*Source: YB @R: Audit Commission*

**Lancaster City Council**
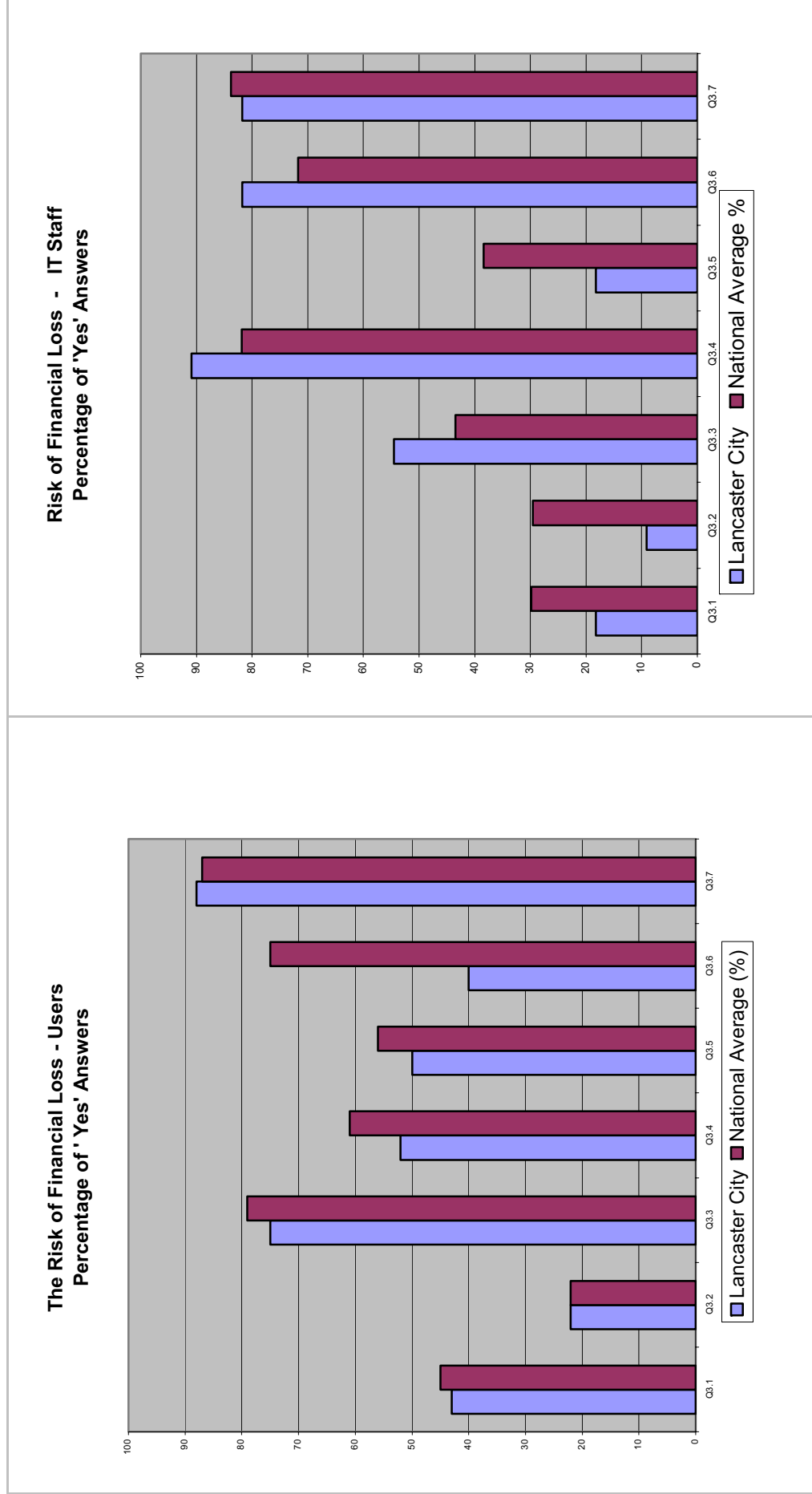
## Reputational damage risk

| Positive messages | Areas requiring attention | Suggested action |
|---|---|---|
| 72 per cent of users have access to written protocols for email usage.

100 per cent of IT staff know downloading of unsuitable material from the internet is a disciplinary matter and that access to unsuitable sites is barred.

Over 90 per cent of IT staff know their computer has a lockout facility for use when the computer is left unattended. | Only 59 per cent of users are aware that the Council has a data protection officer and only 45.5 per cent of IT staff feel their responsibilities under the Act have been explained to them.

Only 33 per cent of users and 36.4 per cent of IT staff consider their PCs time out after a period of inactivity. | Raise awareness of the identity of the Data Protection Officer and the responsibilities of individuals under the Act.

Ensure that all PCs are set to time out after a period of inactivity. |

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## Figure 4    Risk of reputational damage
Council versus national results



Risk of Reputational Damage - Users
Percentage of 'Yes' Answers

Risk of Reputational Damage - IT Staff
Percentage of 'Yes' Answers

*Source: YB @R: Audit Commission*

**Lancaster City Council**

Your Business @ Risk | Audit Summary Report **13**
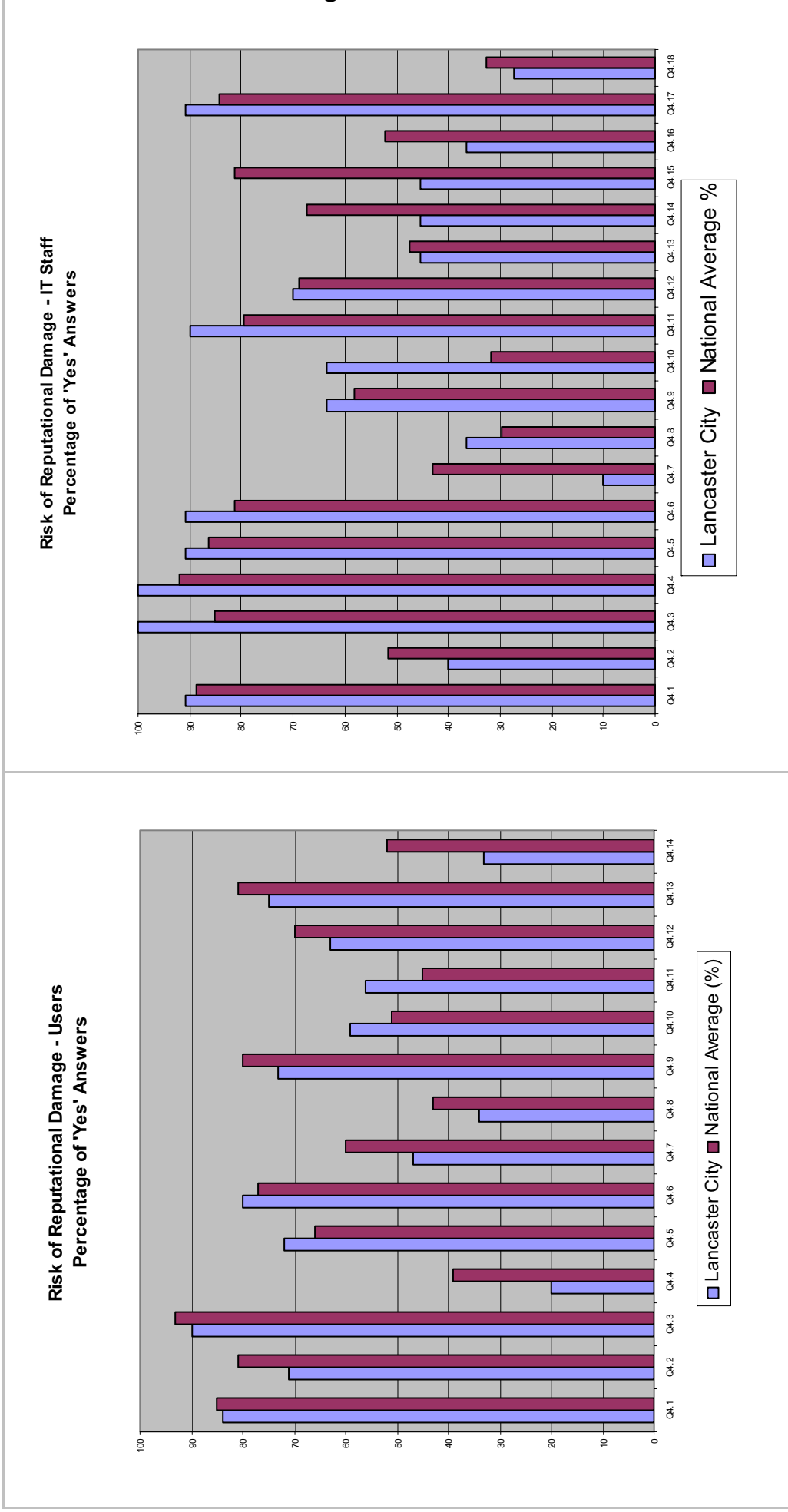
| Awareness of implications of legislation | Areas requiring attention | Suggested action |
|---|---|---|
| 100 per cent of IT staff are aware of the main implications of the Data Protection Act. | Only 27 per cent of users are aware of the Computer Misuse Act and only 20 per cent are aware of the Public Interest Disclosure Act. | Increase IT legislation awareness through improved induction and ongoing training programmes. |
| 88 per cent of users are aware of the main implications of the Freedom of Information Act. | Only 50 per cent of IT staff are aware of the Human Rights act and only 75 per cent are aware of the Freedom of Information Act. | |

**Lancaster City Council**

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## Figure 5   Awareness of implications of legislation

Council versus national results



Knowledge of Legislation - IT Staff
Percentage of 'Yes' Responses

Knowledge of Legislation - Users
Percentage of 'Yes' Responses

*Source: YB@R: Audit Commission*

**Lancaster City Council**

Your Business @ Risk | Audit Summary Report **15**

## Loss of user confidence risk

| Positive messages | Areas requiring attention | Suggested action |
|---|---|---|
| 52 per cent of users are aware of the IT Security policy.<br><br>60 per cent of IT staff feel that users have been informed about the policy. | Only 29 per cent of users know where to find procedures for reporting a security incident. | Educate all staff, regarding the existence of the IT Security policy. Ensure users are aware of the mechanism for reporting a security incident. |

**Lancaster City Council**

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## Figure 6    Loss of user confidence

Council versus national results



*Source: YB@R: Audit Commission*

**Lancaster City Council**
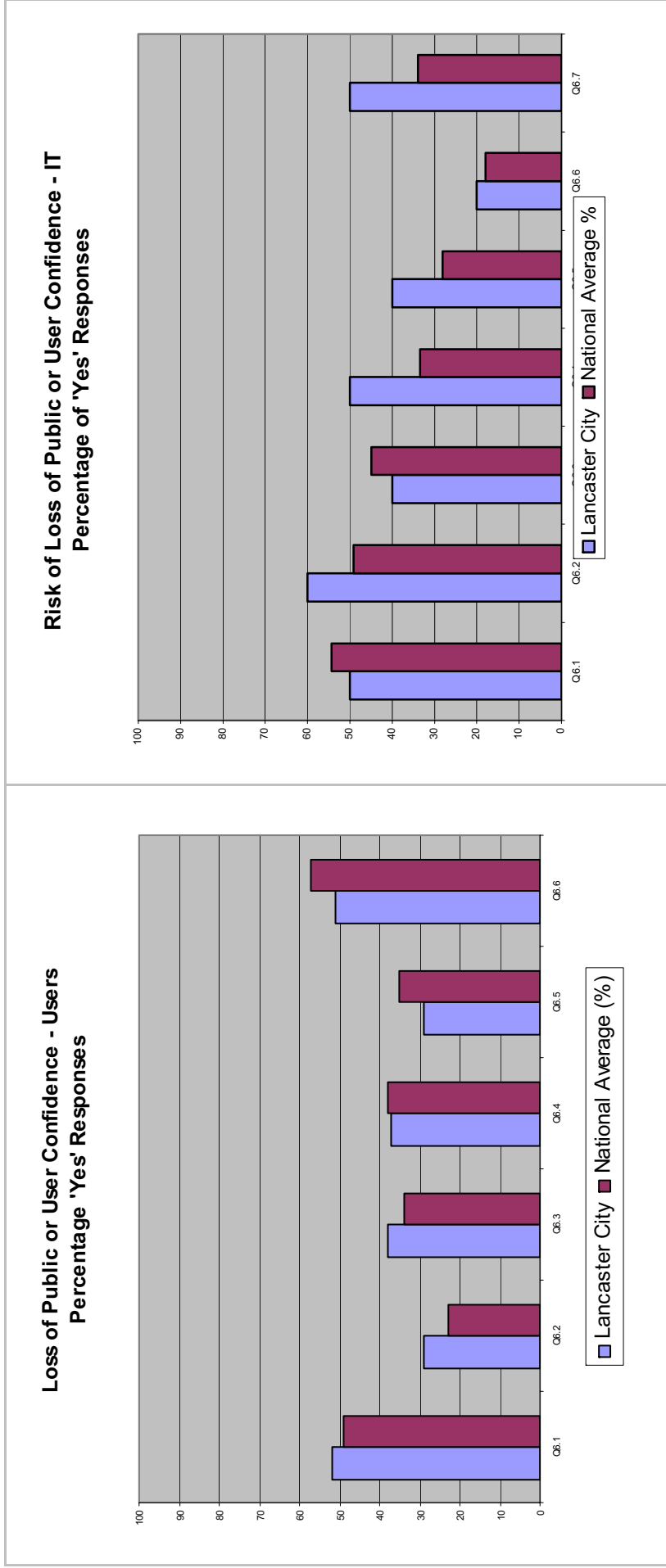
# Appendix 1 – IT Staff

ICT Staff Survey

**Q1  Which ICT Department do you work in?**

| | |
|---|---|
| Corporate ICT | 70.0% |
| Departmental ICT | 30.0% |

**At or above the national average**
**Below the national average**
**Cause for concern**

**Q2  The risk of business disruption**

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| My organisation takes the threat of a virus infection very seriously | 90.9% | 9.1% | 0.0% | 0.0% |
| Our policy is to install virus protection software on all our machines | 100.0% | 0.0% | 0.0% | 0.0% |
| Staff are provided with regular updates to virus protection software | 100.0% | 0.0% | 0.0% | 0.0% |
| Staff have been given clear instructions about dealing with emailed files from external sources | 72.7% | 18.2% | 9.1% | 0.0% |
| Staff are alerted when new viruses are discovered and are advised as to what they must do | 36.4% | 45.5% | 9.1% | 9.1% |
| We have clear procedures in place for reporting a virus incident | 63.6% | 18.2% | 18.2% | 0.0% |
| Our procedures for recovering from a virus infection have been documented | 36.4% | 9.1% | 54.5% | 0.0% |

**Lancaster City Council**

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Our virus software is automatically updated by the software vendor | 81.8% | 9.1% | 9.1% | 0.0% |
| In the event of a virus outbreak measures are in place to restrict the impact of that virus eg. we make router changes to restrict virus infection | 18.2% | 27.3% | 54.5% | 0.0% |
| A firewall protects our networks, systems and information from intrusion from outside | 100.0% | 0.0% | 0.0% | 0.0% |
| Our firewall prevents large files and executable programs from reaching our networks | 63.6% | 18.2% | 18.2% | 0.0% |
| Our user registration and sign-on procedures prevent unauthorised access to our networks | 90.9% | 0.0% | 9.1% | 0.0% |
| Proper password management is enforced by the system on all users | 81.8% | 0.0% | 18.2% | 0.0% |
| Our dial-up connections are secure | 54.5% | 0.0% | 36.4% | 9.1% |
| Network management staff have been appointed | 100.0% | 0.0% | 0.0% | 0.0% |
| We have appointed an IT security officer | 54.5% | 9.1% | 36.4% | 0.0% |
| A detailed daily log of network activity is maintained | 54.5% | 9.1% | 36.4% | 0.0% |
| Network logs are inspected periodically by network staff | 36.4% | 9.1% | 54.5% | 0.0% |
| Sensitive programs and information are given additional protection | 45.5% | 18.2% | 36.4% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Security violations are reported to IT security staff immediately by our security systems | 45.5% | 0.0% | 54.5% | 0.0% |
| Our web site vulnerability is checked every month | 9.1% | 27.3% | 63.6% | 0.0% |
| Physical entry controls prevent unauthorised access to our IT facilities | 100.0% | 0.0% | 0.0% | 0.0% |
| Our servers and network equipment are sited securely and adequate protection is offered | 100.0% | 0.0% | 0.0% | 0.0% |
| Our internal procedures minimise the risk of deliberate damage by employees leaving the organisation | 54.5% | 18.2% | 27.3% | 0.0% |
| Any amendment to a program or system must go through our change control process | 20.0% | 70.0% | 10.0% | 0.0% |
| Our change control processes are well documented | 27.3% | 63.6% | 9.1% | 0.0% |
| All IT staff are trained in our change control requirements | 18.2% | 54.5% | 18.2% | 9.1% |
| Backups of data on all servers are taken frequently | 100.0% | 0.0% | 0.0% | 0.0% |
| Backup arrangements are properly documented | 72.7% | 18.2% | 9.1% | 0.0% |
| User and IT staff have been trained in how to conduct backups of servers | 36.4% | 27.3% | 36.4% | 0.0% |
| Monitoring of backups ensures that management is alerted when backups of remote servers do not take place | 81.8% | 0.0% | 18.2% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| My organisation has a clear business continuity plan | 63.6% | 18.2% | 18.2% | 0.0% |
| All staff named in the business continuity plan know of its existence and their role in it | 45.5% | 9.1% | 45.5% | 0.0% |
| Our continuity plan is based upon a robust risk analysis process | 45.5% | 36.4% | 18.2% | 0.0% |

**Q3** | The risk of financial loss

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| The systems most at risk from fraud have been identified | 18.2% | 18.2% | 63.6% | 0.0% |
| The systems most at risk are afforded additional protection | 9.1% | 9.1% | 72.7% | 9.1% |
| We have a documented access control policy | 54.5% | 0.0% | 45.5% | 0.0% |
| Access to systems is only provided to those who need it | 90.9% | 0.0% | 9.1% | 0.0% |
| We have controls to prevent the copying or removal of software | 18.2% | 18.2% | 63.6% | 0.0% |
| Hardware is clearly security-marked | 81.8% | 18.2% | 0.0% | 0.0% |
| My organisation has clear rules covering private use of IT facilities and in particular what is and what isn't acceptable | 81.8% | 18.2% | 0.0% | 0.0% |

**Q4** | The risk of reputational damage

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Staff are only allowed to access the Internet through our authorised ISP | 90.9% | 0.0% | 9.1% | 0.0% |
| Internet activity logs are reviewed by managers | 40.0% | 10.0% | 50.0% | 0.0% |
| We bar access to internet sites we deem to be unsuitable | 100.0% | 0.0% | 0.0% | 0.0% |

**Lancaster City Council**

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Our policies make it clear to all staff that the downloading or storage of unsuitable material is a disciplinary matter | 100.0% | 0.0% | 0.0% | 0.0% |
| Protocols for internet and email use have been developed and are available to all users | 90.9% | 9.1% | 0.0% | 0.0% |
| My organisation has made it clear to all staff that use of unlicensed software is prohibited | 90.9% | 0.0% | 9.1% | 0.0% |
| Security software that prevents the installation of any program except by authorised IT staff is installed on all PCs and laptops | 10.0% | 70.0% | 10.0% | 10.0% |
| Our Internal Auditors undertake reviews of software on users' PCs | 36.4% | 18.2% | 45.5% | 0.0% |
| Users in my organisation are prevented from gaining access to system utilities | 63.6% | 27.3% | 9.1% | 0.0% |
| Our asset register is up to date, as are all enterprise/site license numbers | 63.6% | 0.0% | 36.4% | 0.0% |
| My organisation has a documented Data Protection Policy | 90.0% | 0.0% | 10.0% | 0.0% |
| My organisation has appointed a data protection officer | 70.0% | 0.0% | 30.0% | 0.0% |
| All users are required to sign a confidentiality undertaking as part of their conditions of service | 45.5% | 27.3% | 27.3% | 0.0% |
| My responsibilities under the Data Protection Act have been explained to me | 45.5% | 45.5% | 9.1% | 0.0% |
| Misuse of personal data is treated as a disciplinary offence | 45.5% | 0.0% | 54.5% | 0.0% |

**22** Your Business @ Risk │ Appendix 1 – IT Staff

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| PC's are timed out after a period of inactivity | 36.4% | 54.5% | 9.1% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| My computer has a lock out facility to be used when left unattended | 90.9% | 9.1% | 0.0% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Systems containing personal data are registered with the Information Commissioner | 27.3% | 0.0% | 72.7% | 0.0% |

**Q5  I am aware of the main implications of the following legislation:**

| | |
|---|---|
| ⬜The Computer Misuse Act | 62.5% |
| ⬜The Freedom of Information Act | 75.0% |
| ⬜The Human Rights Act | 50.0% |
| ⬜The Public Interest Disclosure Act | 37.5% |
| ⬜The Data Protection Act | |
| | 100.0% |

**Q6  The risk of loss of public or user confidence**

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| My organisation has an up to date Information Security policy | 50.0% | 10.0% | 40.0% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Staff are informed about the policy and what they must and must not do | 60.0% | 10.0% | 30.0% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Senior management is committed to the policy and its observance | 40.0% | 10.0% | 50.0% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| An officer group manages the implementation of information security | 50.0% | 0.0% | 50.0% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| Regular independent reviews of information security are undertaken | 40.0% | 0.0% | 60.0% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| We comply with BS7799 standards | 20.0% | 30.0% | 50.0% | 0.0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| There are clear written procedures for reporting and following up all security incidents | 50.0% | 0.0% | 50.0% | 0.0% |

**Lancaster City Council**

# Appendix 2 – Users

Your.Business@Risk
User Survey

**Q1** Which Department do you work in? (only complete if agreed by your Authority/Trust)

| Department | |
|---|---|
| Department 1 | 26% |
| Department 2 | 10% |
| Department 3 | 5% |
| Department 4 | 6% |
| Department 5 | 7% |
| Department 6 | 6% |
| Department 7 | 14% |
| Department 8 | 10% |
| Department 9 | 16% |

**Q2** The risk of business disruption

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| My organisation takes the threat of a virus infection very seriously | 82% | 1% | 16% | 0% |
| Virus protection software is installed on my machine | 93% | 1% | 6% | 0% |
| Virus protection software is regularly updated on my machine | 57% | 3% | 40% | 0% |
| I have been given clear instructions about dealing with emailed files from external sources | 49% | 41% | 9% | 1% |
| I am sent an alert when new viruses are discovered and am told what to do and what not to do | 42% | 33% | 24% | 1% |
| I know how to report a virus infection if I suffer an infection on my machine | 63% | 25% | 12% | 0% |
| I have suffered a virus infection on my machine | 4% | 83% | 12% | 0% |
| Whenever I have suffered a virus infection, my machine was cleansed and restored quickly | 5% | 2% | 15% | 77% |

**Lancaster City Council**

**24** Your Business @ Risk │ Appendix 2 – Users

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| To log on to my machine I must enter a user name and password | `97%` | 1% | 0% | 1% |
| To log on to my organisation's network I must enter a user name and password | `82%` | 10% | 5% | 3% |
| I am forced to change my password by the system on a regular basis eg every month | `92%` | 6% | 1% | 0% |
| To access the computers and systems I use to do my job I must remember more than two passwords | `69%` | 31% | 0% | 0% |
| I have not written my password(s) down | `75%` | 24% | 0% | 0% |
| I am not authorised to enter our computer rooms | `33%` | 20% | 38% | 10% |

| Q3 | The risk of financial loss | | | |
|---|---|---|---|---|
| | Yes | No | Don't know | Not Applicable |
| My organisation has an anti-fraud strategy | `43%` | 1% | 56% | 0% |
| I know what the key elements of the strategy are | `22%` | 37% | 36% | 6% |
| I only have access to the information I need to do my job | `75%` | 15% | 10% | 0% |
| I am prevented from installing any software on my machine | `52%` | 21% | 27% | 0% |
| I am prevented from copying software from my machine | `50%` | 11% | 39% | 0% |
| My computer is clearly security-marked | `40%` | 15% | 45% | 0% |
| I know what are my organisation's rules are covering private use of IT facilities and in particular what is and what isn't acceptable | `88%` | 6% | 6% | 0% |

**Lancaster City Council**

**Q4** **The risk of reputational damage**

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| I am allowed access to the internet only by connections provided by my organisation | 84% | 5% | 11% | 0% |
| I have been informed that my access to the internet will be monitored | 71% | 16% | 12% | 0% |
| It has been made clear to me that my organisation's policy is that accessing or storing unsuitable material is a disciplinary matter | 90% | 5% | 5% | 0% |
| Emails sent to me from outside my organisation that contain very large files or executable programs etc are prevented from reaching me | 20% | 16% | 61% | 3% |
| I have access to written protocols covering email usage and language | 72% | 6% | 22% | 0% |
| I have been informed by my organisation that the use of unlicensed software is prohibited | 80% | 6% | 13% | 0% |
| I am prevented from installing software on my machine. | 47% | 21% | 31% | 1% |
| Internal Auditors or IT staff in my organisation have checked the software on my machine | 34% | 8% | 58% | 0% |
| My organisation has a documented data protection policy | 73% | 1% | 25% | 0% |
| My organisation has appointed a data protection officer | 59% | 2% | 39% | 0% |
| I have been required to sign a confidentiality undertaking as part of my conditions of service | 56% | 22% | 22% | 0% |

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| My responsibilities under the Data Protection Act have been explained to me | 63% | 29% | 8% | 0% |
| I have been informed that the misuse of personal data will be treated as a disciplinary offence by my organisation | 75% | 13% | 11% | 0% |
| My PC is automatically timed out after a short period of inactivity and my password and user name must be entered to resume the session | 33% | 57% | 10% | 0% |

**Q5** | I am aware of the main implications of the following legislation:

| | |
|---|---|
| ❑ The Computer Misuse Act | 27% |
| ❑ The Freedom of Information Act | 88% |
| ❑ The Human Rights Act | 62% |
| ❑ The Public Interest Disclosure Act | 20% |
| ❑ The Data Protection Act | 90% |

**Q6** | Loss of public or user confidence

| | Yes | No | Don't know | Not Applicable |
|---|---|---|---|---|
| My organisation has an Information Security policy | 52% | 0% | 47% | 0% |
| I have been provided with a copy of the policy | 29% | 36% | 31% | 3% |
| I have been informed about the policy and what I must and must not do | 38% | 30% | 30% | 2% |
| Senior management in my organisation is committed to the policy and its observance | 37% | 2% | 60% | 1% |
| I know where to find written procedures for reporting a security incident | 29% | 44% | 26% | 0% |
| Someone in my organisation is specifically responsible for IT security | 51% | 2% | 47% | 0% |

**Lancaster City Council**

# Appendix 3 – Action Plan

| Page no. | Recommendation | | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|---|---|---|---|---|---|---|---|
| 5 | R1 | Ensure that Change Control procedures are documented, understood and used. | 3 | Help Desk Manager | yes | New Help Desk system - Footprints - will support this action. | July 2007 |
| 5 | R2 | Develop a programme to ensure all users understand how to deal with viruses. | 2 | Transformation Manager | yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team. | September 2007 |
| 5 | R3 | Ensure that systems which are most at risk from fraud are identified and protected accordingly. | 2 | Internal Audit Manager | yes | Fraud issues will form part of our assessment when configuring the new Authority Financials. | December 2007 |
| 5 | R4 | Improve awareness of staff of the Council's counter-fraud arrangements (including 'whistleblowing' under the Public Interest Disclosure Act). | 2 | Internal Audit Manager | yes | Via First brief item and update of information on appropriate section of intranet. In conjunction with Communications Team. | September 2007 |
| 5 | R5 | Take steps to prevent users from copying and installing software on their PCs. | 2 | N/A | no | We use automatic tools to audit what is installed on each PC. If we find software which we believe to be unauthorised we contact the users for an explanation - referring to Internal Audit if necessary. | N/A |

**28** Your Business @ Risk | Appendix 3 – Action Plan

| Page no. | Recommendation | | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|---|---|---|---|---|---|---|---|
| 5 | R6 | Raise awareness of the identity of the Data Protection Officer and the responsibilities of individuals under the Act. | 2 | Transformation Manager | yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team. | September 2007 |
| 5 | R7 | Ensure that all PCs are set to time out after a period of inactivity. | 1 | Help Desk Manager | yes | All PCs on the network can be set to need a password inputting after 15 minutes inactivity. | July 2007 |
| 5 | R8 | Increase IT legislation awareness through improved induction and ongoing training programmes. | 2 | Transformation Manager | yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team and HR. | September 2007 |
| 5 | R9 | Educate all staff, regarding the existence of the IT Security policy. Ensure users are aware of the mechanism for reporting a security incident. | 2 | Transformation Manager | yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team. | September 2007 |

**Lancaster City Council**

audit
commission

# IT Risk Assessment

## Lancaster City Council

## Audit 2007/2008

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.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- 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.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

**Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

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# Contents

# Introduction

1   The Audit Commission is required to undertake work to ensure compliance with the International Standards for Auditing UK and Ireland (ISA+ or ISA (UK&I)). These standards require us to obtain an understanding of the organisation, including its internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.

2   ISA (UK&I) 315 in particular requires us to gain an understanding of the IT environment and the impact this has on the information systems used for financial reporting. These include general controls over data centres, network operations, system software acquisition, change and maintenance, access security and application system acquisition, development and maintenance.

# Background

3   The IT Risk Assessment (ITRA) is the methodology used to document our understanding of the IT environment at an organisation wide level. The primary objective of the assessment is to determine whether we can seek to rely upon the IT control environment and therefore gain assurance that the IT or automated controls will operate as intended for the period under audit.

# Audit approach

4   An interview was held with the Head of IT and documents were reviewed.

# Overall conclusion

5   Overall we can rely on the IT control environment but there are some areas of weakness and controls could be further improved by taking action on the recommendations in this report.

# Main conclusions

### Inaccurate data processing

6   All the major applications have test systems for the implementation and testing of upgrades and software patches. There is some guidance on the use of test and live systems, data validation, security controls and audit trails in the security policy. We did not look at the testing methodologies used by the system administrators of the application systems.

7   The Corporate Performance Officer is responsible for the Corporate Data Quality Policy which was approved in March 2007. Each service area takes responsibility for its own data and there is an Information Management Group which now includes the Corporate Performance Officer.

**Lancaster City Council**

8    Each Service area has an 'Information Custodian' who has defined responsibilities including authorising changes to data. Work is currently in progress to include data quality and information management in the Information Custodians' job descriptions as part of a pay and grading review. The Information Custodian is also the System Administrator.

## Unauthorised access

9    Access to the network requires a password which is a minimum of six characters. Enforced changes are in place for all users with the exception of remote users. Where enforcing the change is not in place, work is going on to address this. In all cases users are locked out of the system after three failed attempts.

10    New starters are not given access until a new starter form is received, signed by an appropriate manager. A Leavers' Report is received monthly from HR, and the leaver's login is disabled. The Helpdesk emails the line manager for instructions on how to deal with any data left by the leaver. The security policy states clearly that *'access rights must not be set up in advance of requirements and must be removed immediately for users who have changed jobs or left.'*

11    There is no written policy for controlling which IT staff have access to which systems and data and how they are supervised. No IT staff have logins to live application systems although they do have access to the data tables, but not to any DBA tools. The network and technical teams all have administrator access to servers, routers and other network equipment.

12    Lancashire County Council Internal Audit staff have carried out a BS7799 (ISO27001) gap analysis and this is currently being worked through by officers, although there is no intention to go for accreditation. There has also been an audit by the local police Crime Prevention Unit of building security which has identified some concerns.

| *Recommendation* |
| --- |
| *R1   Consider the recommendations of the local police Crime Prevention Unit.* |

13    The firewall is maintained internally. Anti-virus and anti-spam software is in place, and there is network management software (Solar Winds). Suppliers access the network via a VPN and there is a procedure, included in the security policy for allowing and monitoring access.

## Fraudulent or accidental manipulation of data

14    There is a documented change control procedure in place as part of the security policy. All system changes must be implemented under the formal documented IS Change Control Procedure. The impact on security of all changes to systems must be reviewed and a full risk assessment of the possible impact of changes must be carried out, and contingency plans drawn up, prior to implementation. Whenever system changes could have an effect on performance or capacity, an appropriate review of system specification must be carried out prior to implementation.

15 The applications manager does not allow the use of database editors and believes any changes should be made through normal procedures. This is also written into the security policy. Information Custodians have to sign off any data changes which are made by supplies outside the normal application processing.

16 Audit trails (event logs) are active for system utilities and the operating systems. These logs are allocated a certain amount of space and are circular which means that historic data is not available. There is a separate log for each application and this would be under the control of the appropriate service. It is not known if these are monitored by management and there is no known retention policy.

| Recommendation |
| --- |
| R2   Develop a retention policy for audit trails, and procedures for monitoring by management. |

## Loss of data

17 The Veritas backup system is used to take nightly incremental backups and weekly full backups. Tapes are held off site a quarter of a mile away with the disaster recovery box. This is less than the recommended distance and will be considered as part of the Business Continuity Plan which is currently under development as part of the Civil Contingencies work.

18 There is a Disaster Recovery contract which is tested at least annually with different applications. Lessons learned and follow up actions are carried out after each test.

## Management

19 There are 21 staff looking after 50 servers and 550 PCs. There has been little staff turnover in the last 12 months. All staff have had IT Infrastructure Library (ITIL) overviews, some have had foundation training and some have completed the Managers Course. The IT Service is working towards BS15000.

20 There is an appraisal process and a training plan. On the technical side training takes place in Microsoft Certification, ITIL and CCNA. The training budget for 21 staff is £3,000 which would appear inadequate and may mean that staff are performing functions for which they are not adequately trained, increasing the possibility of error. Some training is provided as part of the installation of new systems.

| Recommendation |
| --- |
| R3   Review the adequacy of the IT training budget. |

21 Developers do have access to the live environment but all access has to be recorded. There is segregation of duties for IT Staff and users and this is documented in the Security Policy, the operational and development functions within IT are completely separate.

22 IT purchases are from GCAT or other framework agreements. Changes to operating systems and networks are made using the change control procedure.

23   The T-Government Cabinet Liaison Group is responsible for overseeing acquisitions and users are the drivers in relation to software selection. There is currently no corporate guidance on the purchase of software applications.

| *Recommendation* |
| --- |
| R4   *Develop corporate guidance for users on the purchase of software applications.* |

24   Implementation is on a project basis and Lancaster has adopted its own version of Prince, the '*Lancaster Approach to Managing Projects (LAMP)*' and this is used for all projects. Internal Audit has been involved in the development.

**8** IT Risk Assessment │ Appendix 1 – Action Plan

# Appendix 1 – Action Plan

| Page no. | Recommendation | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility | Agreed | Comments | Date |
|---|---|---|---|---|---|---|
| 5 | R1 Consider the recommendations of the local police crime prevention unit. | 3 | Transformation Manager | Yes | Some of the work will be incorporated into changes due to building work for air conditioning changes. If further expenditure needed a growth bid will be prepared for Star Chamber. | March 08 |
| 6 | R2 Develop a retention policy for audit trails, and procedures for monitoring by management. | 2 | Technical Support Manager | Partial | Modern operating system tend to have space limits on audit trails rather than days - more space could be allocated but there would be a costs and retention for a the recommended seven years (ISA 315) will be as backups. Once policy agreed the changes can be made as systems are reviewed. | March 08 |
| 6 | R3 Review the adequacy of the IT training budget. | 3 | Head of ICS | Yes | IT training budget for 2007/08 allocated already. A growth bid will be prepared for Star Chamber. | March 08 |
| 7 | R4 Develop corporate guidance for users on the purchase of software applications. | 3 | Procurement Officer | Yes | Would appreciate guidance from Audit on their recommendations for guidance in this area and examples of good practise from elsewhere. | December 07 |

**Lancaster City Council**

| Page no. | Recommendation | | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|---|---|---|---|---|---|---|---|
| 5 | R1 | Ensure that Change Control procedures are documented, understood and used. | 3 | Help Desk Manager | Yes | New Help Desk system - Footprints - supports this action and new Change Control procedure are in place. | July 07 |
| 5 | R2 | Develop a programme to ensure all users understand how to deal with viruses. | 2 | Transformation Manager | Yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team | Sept 07 |
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| 5 | R5 | Take steps to prevent users from copying and installing software on their PCs. | 1 | N/A | Yes | We use automatic tools to audit what is installed on each PC. If we find software which we believe to be unauthorised we contact the users for an explanation - referring to Internal Audit if necessary. | N/A |

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| Page no. | | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|---|---|---|---|---|---|---|---|
| 5 | R6 | Raise awareness of the identity of the Data Protection Officer and the responsibilities of individuals under the Act. | 2 | Transformation Manager | Yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team | Sept 07 |
| 5 | R7 | Ensure that all PCs are set to time out after a period of inactivity. | 1 | Help Desk Manager | Yes | All PCs on the network will be set to need a password inputting after 15 mins inactivity. This is currently being trialled in Information and Customer Services | July 07 |
| 5 | R8 | Increase IT legislation awareness through improved induction and ongoing training programmes | 2 | Transformation Manager | Yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team and HR | Sept 07 |
| 5 | R9 | Educate all staff, regarding the existence of the IT Security policy. Ensure users are aware of the mechanism for reporting a security incident. | 2 | Transformation Manager | Yes | Via First brief item and update of information on ICS section of intranet. In conjunction with Communications Team | Sept 07 |

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**Action Plan progress – Sept 07**

| Page no. | Recommendation | | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
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| 6 | R2 | Develop a retention policy for audit trails, and procedures for monitoring by management. | 2 | Technical Support Manager | Partial | Modern operating system tend to have space limits on audit trails rather than days - more space could be allocated but there would be costs and retention for the recommended 7 years ( ISA 315 ) will be as backups.<br><br>Once policy agreed the changes can be made as systems are reviewed. | Mar 08 |
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| 7 | R4 | Develop corporate guidance for users on the purchase of software applications. | 3 | Procurement officer | Yes | Would appreciate guidance from Audit on their recommendations for guidance in this area and examples of good practise from elsewhere. | Dec 07 |

Audit and Inspection Plan

Date

Last saved: 10/09/2007 09:48:00

# Audit and Inspection Plan

**Lancaster City Council**

**Audit 2007/08**

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author                    Author

Filename                  Document2

**Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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www.audit-commission.gov.uk

# Contents

# Introduction

1   This plan has been developed by the Relationship Manager and the Appointed Auditor, KPMG LLP.  It sets out the audit and inspection work that it is proposed to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:

- audit and inspection work specified by the Audit Commission for 2007/08;

- current national risks relevant to your local circumstances; and

- your local risks and improvement priorities.

2   Your Relationship Manager will continue to ensure integration and co-ordination with the work of other inspectorates as appropriate.

3   The audit planning process for 2007/08, including the risk assessment is an ongoing process and will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

## Responsibilities

4   We comply with the statutory requirements governing our audit and inspection work, in particular:

- the Audit Commission Act 1998;

- the Local Government Act 1999 (best value inspection and audit); and

- the Code of Audit Practice.

5   The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:

- the financial statements (including the statement on internal control (SIC)); and

- the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.

6   The Audit Commission's Statement of responsibilities of auditors and of audited bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.

7   The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

**Lancaster City Council**

# CPA and Inspection

8    The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.

9    The Council's CPA category is therefore a key driver in the Commission's inspection planning process. For CPA 2004, the Council was categorised as demonstrating fair overall performance.

10   The 2006 District Council CPA framework allows for district councils to apply for re-categorisation as a result of their improvement since the last assessment. In October 2006, the Council applied to be considered for re-categorisation. An Audit Commission regional panel considered the application together with a range of evidence including service performance, progress (direction of travel) assessments, the use of resources score and other judgements from key stakeholders. The panel decided that there is a realistic prospect of a change in category following a corporate assessment inspection.

11   We have applied the principles set out in the CPA framework, *CPA – the Harder Test*, recognising the key strengths and areas for improvement in the Council's performance.

12   Strengths in the Council's performance identified by the Commission's Direction of Travel work and reported in July 2007 in the 2005/06 Annual Audit and Inspection Letter include:

- performance in national and local priority areas is improving. Current performance levels are comparatively good with 42 per cent of indicators in the top band compared with a district council average of around 30 per cent.
- continuing to develop the performance management approach to tackle those areas of comparative lower performance.
- the Council's benefits service, which was reviewed by the Benefit Fraud Inspectorate and assessed as achieving an excellent performance, a significant improvement on the assessment in 2003.
- the Council is establishing a more coordinated, corporate approach to consultation and community engagement so that the priorities and needs of local people are more clearly reflected in Council priorities and plans.

13   Areas for improvement in the Council's performance identified by the Commission's Direction of Travel work and reported in July 2007 in the 2005/06 Annual Audit and Inspection Letter include:

- monitoring the implementation of the recommendations arising from the waste management inspection.
- continuing to develop and embed the approach to workforce planning, equality and diversity and the approach to tackling staff absence.
- continuing to develop the performance management approach to tackle those areas of comparative lower performance.

- driving forward the Council's contribution in the development of the governance and accountability arrangements within the Lancashire Children and Young People Partnership to ensure responsibilities under the Children Act 2004 are met.

14  On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

### Table 1     Summary of inspection activity

| Inspection activity | Reason/impact |
|---|---|
| Relationship Manager (RM) role | To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders. |
| Direction of travel (DoT) assessment | An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT label will be reported in the CPA scorecard alongside the CPA category. The DoT assessment summary will be published on the Commission's website. |
| Corporate assessment | We will carry out a corporate assessment in line with the processes set out in CPA - the Harder Test. |

# Work under the Code of Audit Practice carried out by the Appointed Auditor

## Financial statements

15    KPMG LLP, as the Council's external auditors from 2007/08, will carry out the audit of your financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).

16    We will issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.

17    We are also required to review whether the Statement on Internal Control (SIC) has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if it is misleading or inconsistent with our knowledge of the Council.

## Use of resources

### Value for money conclusion

18    The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. In arriving at our conclusion we consider a standard set of criteria issued by the Audit Commission.

19    In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators we will normally place reliance on their reported results to inform our work.  Our assessment will be undertaken over a 12 month period and will consider both the existence and operational effectiveness of the Authority's arrangements to deliver economic, efficient and effective use of resources.

20    We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

**8** Audit and Inspection Plan │ Work under the Code of Audit Practice carried out by the Appointed Auditor

## Use of resources assessment

21　The Audit Commission has specified that auditors will complete a use of resources assessment for 2007/08. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services. The use of resources assessment for 2007 will be undertaken by the Audit Commission and our work will commence in 2008.

22　The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor's value for money conclusion.

23　 We will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes:

| Theme | Description |
|---|---|
| Financial reporting | • preparation of financial statements<br>• external reporting |
| Financial management | • medium-term financial strategy<br>• budget monitoring<br>• asset management |
| Financial standing | • managing spending within available resources |
| Internal control | • risk management<br>• system of internal control<br>• probity and propriety |
| Value for money | • achieving value for money<br>• managing and improving value for money |

24　We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.

25　The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CPA.

## Data quality

26   The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality.  This is based on a three-stage approach covering:

- Stage 1 - management arrangements;

- Stage 2 - completeness check; and

- Stage 3 - risk-based data quality spot checks of a sample of performance indicators.

27   The work at stage 1 will link to our review of the Council's arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.

28   Our fee estimate reflects an assessment of risk in relation to the Council's performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.

29   The data quality assessment for 2007 will be undertaken by the Audit Commission and our work will commence in 2008.

## Best Value Performance Plan

30   We are required to carry out an audit of your best value performance plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance.   KPMG will issue an opinion by 31 December 2007.

# Assessing risks

31  We are committed to targeting our work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.

32  Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:

- our cumulative knowledge of the Council;

- planning guidance issued by the Audit Commission;

- the specific results of previous and ongoing audit work;

- interviews with Council officers;

- liaison with internal audit; and

- the results of other review agencies' work where relevant.

33  We have not included a risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after the Audit Commission has completed its 2006/07 audit. We will review our risk assessment after the audit of the 2006/07 financial statements has been completed.  At this stage we are planning for the changes to the financial statements as a result of the Statement of Recommended Practice 2007.  The consultation on the new SORP closed on 14 February and, whilst we are still awaiting the final version of the document, likely changes include:

- the requirement to establish a UK GAAP-compliant revaluation reserve, with a particular challenge being the need to calculate the opening balance from historic information; and

- changes in the accounting arrangements for financial instruments, including the introduction of the accounting standards FRS25 and FRS26.

34  For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.

35  Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses. The key risks emerging from that initial risk assessment and our responses to those risks are identified below.

36  The Medium Term Financial Plan (MTFP) is the key financial management document that underpins the Corporate Plan and with the requirement for efficiency savings this places greater emphasis on financial management.   If the Council does not develop an appropriate MTFP with clear links to any performance management frameworks and community planning documents, it is at risk of not being able to realise its strategic objectives and visions.  We will undertake a health check review of the Council's MTFP and links to performance management and service planning, including the effect of additional investment on service improvement outcomes.

37  The 2006 District Council CPA framework allows for district councils to apply for re-categorisation as a result of their improvement since the last assessment. In October 2006, the Council applied to be considered for re-categorisation. An Audit Commission regional panel decided that there is a realistic prospect of a change in category following a corporate assessment inspection. The inspection team will conduct their field work during October 2007 and report their findings in January 2008.  Following the completion of the corporate assessment, we will work with the Council in addressing any audit risks identified by the assessment and we will also provide support where the Council may want to undertake work where the corporate assessment has identified areas that need to be improved.

# Work specified by the Audit Commission

## Whole of government accounts (WGA)

38 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

## National Fraud Initiative (NFI)

39 The Council participates in the NFI which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998). The Appointed Auditor will consider how the Council responds to the outcome of the NFI

## Cross-cutting work - Health Inequalities (HI)

40 HI cross-cutting work will be undertaken in 2007/08 and 2008/09 across the North West, including Lancashire. There will be a tailored approached for each area but the aims and objectives will be similar to allow cross-fertilisation and comparison as appropriate.  In line with the draft HI audit guide the objectives will be to:

- assess audit bodies' strategic approach to tackling health inequalities;
- assess whether audit bodies deploy resources effectively in the pursuit of reducing health inequalities and narrowing the gap
- facilitate audited bodies to create an environment for improvement.

# Voluntary improvement work

41   We have not identified any Voluntary improvement work at this stage but should we identify anything which we believe will be of use to you we will address this with you before reporting our findings to the Audit Committee.

# Certification of grant claims and returns

42   The thresholds for certification of claims and returns have increased from 1st April 2007, and we will certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;

- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and

- claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

# Elector Challenge

43　The Audit Commission Act 1998 gives electors certain rights.  These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

44　As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

45　In making our decision on objections raised by electors, we can take the following actions:

- issue a public interest report, which the Council has to consider and respond to.  Further to this there are also publicity requirements that councils must fulfil if they receive a public interest report;
- issue an advisory notice.  The effect of an advisory notice is that it is not lawful for the Council or any officer to do what is set out in the advisory notice until,
    - the Council has considered the consequence of doing it;
    - the Council or officer has given the auditor the required notice in writing; and
    - that notice period has expired.
- make a statutory recommendation, which the Council must consider within one month of receiving it at a meeting of the Council; and
- make an application to court that an item of account is contrary to law, which if successful could result in an order for the accounts to be rectified and an order for costs to be paid.

46　The costs incurred in responding to questions or objections raised by electors is not part of the fee referred to in paragraph 47.  This work will be charged on a grade related basis in accordance with the Audit Commission's fee scales.

# The audit and inspection fee

47 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.

48 The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £130,100 which compares with the planned fee of £110,523 for 2006/07. The primary reasons for the increase are the CPA inspection planned for this year (£13,360), additional auditor responsibilities in relation to NFI (£1,000), and an increase in the level of cross-cutting work to be undertaken (£3,000).

49 Further details are provided in Appendix 2 which includes a breakdown of the fee; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.

50 In addition we estimate that we will charge approximately £40,000 for the certification of claims and returns.

51 As indicated in paragraphs 3 and 32, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 46 above. Any changes to the fee will be agreed with you.
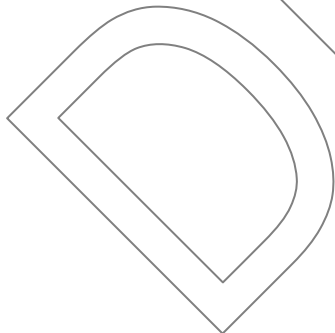
# Other information

## The audit and inspection team

52  The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

**Table 2**

| Name | Contact details | Responsibilities |
|------|-----------------|------------------|
| Mike Thomas Relationship Manager (Audit Commission) | m-thomas@audit-commission.gov.uk 01204 877 300 | The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders. |
| Kevin Wharton Appointed Auditor (KPMG LLP) | kevin.wharton@kpmg.co.uk 0161 246 4633 | Responsible for the overall delivery of the audit including signing the opinion and conclusion, and liaison with the Chief Executive. |
| Jillian Burrows Senior Manager (KPMG LLP) | jillian.burrows@kpmg.co.uk 0161 246 4705 | Overall responsibility for the management of the client relationship and for the overall delivery of the audit. |
| Andrew Mee Assistant Manager (KPMG LLP) | andrew.mee@kpmg.co.uk 0161 246 4314 | Overall responsibility for the day to day management of the accounts audit and will liaise with the Chief Accountant, Policy Accountants and other lead accountants. |

## Independence and objectivity

53  We are not aware of any relationships that may affect the independence and objectivity of the Appointed Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.

54 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

# Quality of service

55 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact the Appointed Auditor in the first instance.

56 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *Something to Complain About* which is available from the Commission's website or on request.

# Planned outputs

57 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

## Table 3

| Planned output | Indicative date |
| --- | --- |
| Interim audit memorandum | May 2008 |
| Opinion on the financial statements and value for money conclusion | September 2008 |
| Use of resources report | TBC following issue of Auditor Guidance by the Audit Commission |
| Corporate assessment | Expected early 2008 |
| Annual audit and inspection letter | TBC |
| BVPP report | December 2007 |

# Appendix 1 – Initial risk assessment – use of resources

| Significant risks identified | Mitigating action by audited body | Residual audit risk | Action in response to residual audit risk | Link to auditor's responsibilities |
|---|---|---|---|---|
| If the Council fails to develop an appropriate MTFP with clear links to the performance management framework and the community plan, it is at risk of not being able to realise its strategic objectives and visions. | MTFP is in place and is subject to review on a six-monthly basis. | Yes | A health check review of the Authority's MTFP and links to performance management and service planning, including the effect of additional investment on service improvement outcomes. This would include consideration of mechanisms to move resources in line with priorities. | KLOE 2.1 - The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. |
| The Audit Commission led a piece of cross-cutting work on Health Inequalities across Greater Manchester in 2005/06. This work is to be rolled out across Lancashire in 2007/08 and 2008/09 to assess what arrangements are in place and how risks are managed. | Progress is being made through better collaborative working and a shared vision led through the health leadership group. However more remains to be done to reduce inequalities and achieve significant change. | Yes | Ineffectual joint working may lead to progress at different speeds with inconsistent collaborative action. In 2007/08 and 2008/09 we will focus on reviewing the effectiveness of partnership working across the North West in relation to health inequalities. | KLOE 5.1 - The Council currently achieves good value for money. |

# Appendix 2 – Audit and inspection fee

1   Table 4 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the planned fee for 2006/07.

### Table 4

| Audit area | Planned fee 2007/08 £ | Planned fee 2006/07 £ |
|---|---|---|
| **Audit** | | |
| Financial statements (including Whole of Government accounts) | 60,000 | 32,435 |
| Use of resources (including BVPP, cross cutting work on HI) | 37,000 | 75,230 |
| Data quality | 13,000 | * |
| NFI | 1,000 | * |
| Total audit fee | 111,000 | 107,665 |
| Inspection | | |
| Relationship management | 2,870 | 1,435 |
| Direction of Travel | 2,870 | 1,423 |
| Service inspection | 0 | 0 |
| Corporate inspection | 13,360 | 0 |
| Total inspection fee | 19,100 | 2,858 |
| Total audit and inspection fee | 130,100 | 110,523 |
| Certification of claims and returns | 40,000 | 42,310 |

\* Comparative information is not available for 2006/07 due to the changed fee structure.

2   The Audit Commission scale audit fee for Lancaster City Council is £119,010. The fee proposed for 2007/08 is 6.7 per cent below the midpoint compared with the scale fee and is within the normal level of variation specified by the Commission. The audit element of the fee has increased by £3,335 (3.1%) reflects the inflationary increase applied to the fee scales.

3   The inspection element of the fee has increased primarily because the Council will be receiving a Corporate Assessment during 2007/08.

4   The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

5   It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.

6   The fee (plus VAT) will be charged in six equal instalments from October 2007 to March 2008.  The grants fee (plus VAT) will be charged in six equal instalments from June 2008 to November 2008.

## Assumptions

7   In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2006/07;

- you will inform us of significant developments impacting on our audit;

- internal audit meets the appropriate professional standards;

- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;

- good quality working papers and records will be provided to support the financial statements by an agreed date;

- requested information will be provided within agreed timescales;

- prompt responses will be provided to draft reports; and

- additional work will not be required to address questions or objections raised by local government electors.

8   Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when the Audit Commission issue the audit opinion for the 2006/07 financial statements.

9   Changes to the plan will be agreed with you. These may be required if:

- new residual audit risks emerge;

- additional work is required of us by the Audit Commission or other regulators; and

**Lancaster City Council**

**22** Audit and Inspection Plan │ Appendix 2 – Audit and inspection fee

- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## Process for agreeing any changes in audit fees

10 If we need to make any significant amendments to the audit fee during the course of this plan, we will firstly discuss this with the Corporate Director for Finance and Performance.  We will then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

# Appendix 3 – Independence and objectivity

1   Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

2   The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

3   International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

-   discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and

-   confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

4   The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.

5   The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

6   The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee;

- auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;

- the Appointed Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;

- the Appointed Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and

- the Appointed Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

**Lancaster City Council**

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**External Audit and Inspection Plan 2007/08 - Supplementary paper**

**Audit Fee Split – 2007/08**

| Audit area | Plan 2005/06 (£) | Plan 2006/07 (£) | Plan 2007/08 (£) |
|---|---|---|---|
| Accounts, governance and audit management | 37,490 | 32,435 | 60,000 |
| Use of resources | 67,420 | 75,230 | |
| -    Use of resources judgement | - | - | 15,500 |
| -    BVPP and BVPIs | - | - | 13,000 |
| -    Performance | - | - | |
| -      G01 MTFS | - | - | 5,500 |
| -      G02 Internal Audit | - | - | 6,000 |
| -      G03 PAYE healthcheck | - | - | 3,500 |
| -      G04 VAT healthcheck | - | - | 3,500 |
| | 104,910 | 107,665 | 107,000 |
| Cross Cutting Reviews (Health Inequalities) | - | - | 3,000 |
| National Fraud Initiative | - | ** | 1,000 |
| **Audit element of fee** | **104,910** | **107,665** | **111,000** |
| Relationship Management | * | 1,435 | 2,870 |
| Direction of Travel | * | 1,423 | 2,870 |
| Corporate Inspection | * | 0 | 13,360 |
| **Total inspection fee** | **11,350** | **2,858** | **19,100** |
| **Total audit and inspection fee** | **116,260** | **110,523** | **130,100** |
| **Grant claim certification (Estimate)** | **40,290** | **42,310** | **40,000** |
| **Total audit, inspection and grants fee** | **156,550** | **152,833** | **170,100** |
| **Audit fee contingency \*\*\*** | - | - | **7,500** |

\* Comparative information is not available for 2005/06 due to the changed fee structure.
\*\* Comparative information is not available for 2006/07 due to the changed fee structure.
\*\*\* This contingency will be used to address any audit risks that the forthcoming corporate assessment may identify.
If this isn't the case then the Authority has the option to consider whether it would benefit from KPMG's assistance
in any areas identified for improvement.

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**AUDIT COMMITTEE**

## Audit Commission – National Fraud Initiative

## 19 September 2007

## Report of Internal Audit Manager

**PURPOSE OF REPORT**

To inform the Committee of new arrangements being made to comply with future National Fraud Initiatives and to investigate any data matches and act upon instances of fraud or identified weaknesses in internal control.

**This report is public**

**RECOMMENDATIONS**

1. **That Audit Committee notes the report and endorses the proposed arrangements to comply with the National Fraud Initiative (NFI) and to follow up and/or investigate matches arising from the NFI.**

2. **That the Head of Financial Services be appointed as the '*Senior Responsible Officer*' for NFI purposes with responsibility for ensuring compliance with the *Code of Data Matching Practice'* and that the Principal Auditor be named as the Council's key contact with the NFI for all future data matching exercises.**

3. **That the Council's Financial Regulations and Procedures be amended in order to formalise the approach to future NFI exercises.**

4. **That following formalisation of the Council's NFI arrangements, the Information Management Group considers the proposed procedures with a view to inviting the Information Commissioner to review these for the purposes of monitoring compliance with data protection principles.**

1    **Introduction**

1.1    The National Fraud Initiative (NFI) is the Audit Commission's data matching exercise, first launched in 1996, that tackles a broad range of fraud risks faced by the public sector.  The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998 and is currently run every two years.  The Council's arrangements in relation to the NFI and other data matching exercises are now incorporated within the Use of Resources assessment.

1.2    Initial exercises mainly concentrated on data matching relating to housing benefit fraud and overpayment, but its success since its launch (more than £400m in savings for the organisations taking part) has led to new data matching exercises being introduced. These include matching elderly residents in private care with the Department for Work and Pensions' records of deceased persons and the 2007/08 NFI exercise matching Council Tax Single Persons' Discounts (SPD) to the Electoral register.  (Members may

be aware that a similar sort of exercise on SPDs was undertaken during 2006, with other Lancashire authorities.)

1.3 The 2007/08 NFI exercise is currently being rolled out follow a successful pilot project. The exercise focuses on those declaring sole occupations (excluding people like students with council tax disregards), to identify those claiming SPD who do not, in fact, live alone. The pilot project, involving four London boroughs has identified more than £2 million of discounts incorrectly awarded.

1.4 Broadly, the timetable for the exercise is:

- Extract Council Tax data and submit it to the Audit Commission during October

- Extract Electoral registration data and submit it during December

- Identified matches will be available for inspection during March 2008 (date to be confirmed), after which arrangements will be made to investigate any matches identified.

- Following the joint advice of the Audit Commission and the Information Commissioner, it is proposed to notify Council Tax payers of the exercise when the council tax bills for 2008/09 are sent out in March 2008.

1.5 To help ensure that the use of data for NFI purposes is effectively controlled and complies with data protection and human rights legislation, the Audit Commission published its Code of Data Matching Practice (updating the previous code published in 1997) in May 2006.

1.6 The status of the Code of Data Matching Practice 2006 is such that it is a statutory requirement to supply personal data for the purpose of the NFI and to comply with the principles and provisions set out in the Code. This is to ensure that the NFI is conducted in a manner which meets the requirements of the Data Protection Act 1998 and achieves good practice. Statutory external audits will seek to ensure that Councils have put in place adequate measures to meet the Code's requirements.

1.7 Every two years since its launch, the practical steps required to comply with the NFI have been undertaken by Revenue Services, with the Council's Key Contact being the Principal Officer within the Claims Security Team. The NFI exercise for 2006/07 is now nearing completion, but given the new Code of Practice on Data Matching, changes in legislation and the introduction of new areas of data matching in addition to the two-yearly NFI exercise, it has now become necessary to review the Council's arrangements.

## 2 Proposal Details

**Practical steps required to comply with the Code of Data Matching Practice**

2.1 New governance arrangements within the Code require that the '*Director of Finance or equivalent senior named officer*' acts as the '*Senior Responsible Officer for NFI purposes*'. No specific reference is made to NFI exercises within the Council's Financial Regulations although this approach is consistent with the Section 151 Officer responsibilities relating to internal control arrangements for the prevention and detection of fraud and corruption.

2.2 The Code of Data Matching Practice goes on to state that '*The Senior Responsible Officer will authorise named officers responsible for data handling, for follow up investigations and to act as the key contact…*' for the data matching exercise.

2.3 For the purposes of future exercises undertaken by the Council it is proposed that the Head of Financial Services be authorised as the *Senior Responsible Officer* and that the Principal Auditor be named as the Council's key contact with the Audit Commission's NFI team, with overall responsibility for co-ordinating NFI exercises. A minor amendment needs to be made to Financial Regulations and Procedures to formalise the approach to future NFI exercises.

2.4 The key contact role is vital to getting the most from the NFI in terms of fraud and overpayment with the minimum input of resources. The key contact will be responsible for *project managing* the exercise throughout, including:

- Allocation of data handling and data quality responsibilities to relevant Council officers proportionate to the resources needed to undertake the work and the expected level of fraud and overpayment that can be prevented and detected

- Ensuring compliance with the Code of Data Matching Practice and relevant legislation (principally the Data Protection Act 1998) including requirements for the fair collection and disclosure of personal data

- Collation of data matching results and the secure reporting of the output to the Audit Commission within required timescales

- Ensuring steps are taken to follow up or investigate matches arising from the NFI and to improve any control weaknesses identified

2.5 The NFI exercises involving the use of powerful data matching techniques raise substantial data protection and privacy concerns. In light of this, the Information Commissioner was consulted during the production of the Code of Data Matching Practice and has been invited by the Audit Commission to review its processes during all data matching exercises in the future. The published Code of Data Matching Practice encourages all bodies supplying data for the purposes of the NFI to invite the Information Commissioner to carry out an assessment of their processing of personal data also in order to monitor compliance with data protection principles.

2.6 Following formalisation of the Council's arrangements in respect of the NFI it is proposed, at this stage, to request the Council's Information Management Group to initially review the arrangements with a view to requesting the Information Commissioner to carry out an assessment of the arrangements some time in the future.

## 3 Details of Consultation

3.1 Consultation has been undertaken in compiling this report with the Chief Revenues Officer; the Principal Officer, within Revenue Services, currently acting as the Council's key contact for the purposes of the NFI, and with the Information Management Officer. They have no further comments to add.

## 4 Options and Options Analysis (including risk assessment)

4.1 The proposal is that the Committee endorses the proposed arrangements to comply with the National Fraud Initiative (NFI) and the Code of Data Matching Practice and for following up and/or investigating matches arising from the NFI. No alternative options are identified.

## 5 Conclusion

5.1 Over the last decade the National Fraud Initiative has successfully detected fraud and overpayments (totalling almost £300M nationally). This active detection and prosecution of fraudsters is a vital deterrent to those contemplating defrauding the public purse.

**5.2** The introduction of the new Code of Data Matching Practice and the proposed arrangements to ensure this Council complies with its provisions will not only help to ensure compliance with the law but also help inspire public confidence that potentially intrusive activities are undertaken in a proportionate way with due respect for legitimate privacy concerns. Compliance with the Code should help ensure that those who are involved in fraudulent activities continue to be identified and held to account

and the majority who are not are protected from unwarranted intrusion into their private lives.

| |
|---|
| **CONCLUSION OF IMPACT ASSESSMENT**<br>**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** |
| Proposed arrangements for the conduct of future NFI data matching exercises will be conducted in accordance with the Code of Data Matching Practice ensuring compliance with data protection and human rights legislation. |
| **FINANCIAL IMPLICATIONS** |
| There are audit and other costs attached to the NFI exercise in the region of £2,000 for 2007/08.  The exercise should result in savings to the Council through the detection of fraud and overpayment, though clearly these cannot yet be quantified |
| **SECTION 151 OFFICER'S COMMENTS** |
| The Section 151 officer has been consulted and has no further comments |
| **LEGAL IMPLICATIONS** |
| Legal Services have been consulted and have no further comments |
| **MONITORING OFFICER'S COMMENTS** |
| The Monitoring Officer has been consulted and has no further comments |

| BACKGROUND PAPERS | Contact Officer: Bob Bailey |
|---|---|
| NFI 2006/07 Handbook<br>Code of Data Matching Practice 2006<br>Internal Audit Files | **Telephone:**  01524 582018<br>**E-mail:** rbailey@lancaster.gov.uk<br>**Ref:** aud/ctte/aud/071909 |

## AUDIT COMMITTEE

# Internal Audit Monitoring
# 19 September 2007
# Report of Internal Audit Manager

| PURPOSE OF REPORT |
|---|
| To advise Members of the latest monitoring position regarding the 2007/08 Internal Audit Plan. |
| **This report is public** |

**RECOMMENDATIONS**

**(1)    That the current monitoring position is noted.**

**(2)    That the proposed revision to the Audit Plan attached at Appendix B is endorsed.**

**1.0    Introduction**

1.1    The 2007/08 Internal Audit Plan was approved by the Audit Committee at its meeting on 27th June 2007.  This report is based on the monitoring position as at 10 August 2007, details of which are attached as Appendix A.

**2.0    Proposal Details**

**Progress with Planned Assignments**

2.1    Work In Progress brought forward as at 01 April 2007.

Fourteen jobs from the 2006/07 plan were still in progress at 01 April 2007 and 36 days have been spent in the current year on completing these.  At the time of writing, all of these jobs have been, or are nearing completion.  It is expected that all work will be finalised within the days provided (47.8 days) for work in progress.

2.2    2007/08 Planned Work

Appendix A sets out the progress made with the assignments for 2007/08 to date, showing the actual days spent on the 29 audit jobs allocated up to 10 August 2007.  All these assignments are ongoing and within the number of days allocated, save for the following jobs:

| Job Title | Current over-run | Reason |
|---|---|---|
| Project Management Development (Support Work) | -2.1 | Ongoing work in establishing the LAMP methodology and supporting the Projects & Performance Officer who took up post in early July 2007.  Internal Audit involvement now substantially complete |
| Williamson Park Investigation | -1.7 | Work has been finalised and report being drafted |

**Current and Future Workload**

2.3 The monitoring report as at 10 August 2007 is attached as Appendix A. In summary, the position as at that date (excluding work in progress brought forward) was as follows:

|  | Totals | Allocated Work | Unallocated |
|---|---|---|---|
| Annual Plan (days) | 840.0 | 391.0 | 449.0 |
| Delivered at 10/08/07 | 195.8 | 195.8 | 0.0 |
| Remaining at 10/08/07 | 644.2 | 195.2 | 449.0 |

2.4 In line with the Internal Audit Strategy approved by the Audit Committee on 27 June 2007, the annual work programme is being developed as the year proceeds to help identify and meet emerging audit and assurance needs.

2.5 The "Core Financial Systems" section of the plan will be addressed predominantly in the third and fourth quarters of the year, with particular attention being given to those systems being replaced during the year (Civica Financials). This is a section of work on which the external auditors seek to place reliance in their own opinion work.

2.6 Following a report to Corporate Management Team on 06 July 2007, consultation with the Section 151 Officer and Monitoring Officer, and discussions with the Council's new external auditors, it is proposed to include the following assignments in the plan:

- Local Area Agreement / enhanced two tier working / neighbourhood management (the potential for a joint approach with the external auditors is being considered)
- External funding arrangements
- Records management
- PAYE
- Data Quality and Escendency development

2.7 Other topics to have arisen recently include revised guidance on corporate governance in local government, issued by the chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). An assignment is being proposed to consider the implications for the Council of this revised guidance, including particular consideration of its relevance to the Audit Committee.

2.8 As the fair pay process progresses, discussions have been held about the need for independent assurance on the project itself but particularly on the integrity and reliability of the computer systems dealing with the job evaluations and pay modelling (two separate systems). It is proposed that the Internal Audit Manager takes on this role and an allocation of 20 days is proposed to cover this work.

2.9 In discussing our respective audit plans with the external auditor, consideration is being given to the scope of any computer / IT related work. At this stage, a programme of work has not been developed, but an indicative allocation of 40 days under "Core Operational Systems" is proposed to cater for this area of work.

2.10 A revised draft work schedule incorporating these proposed assignments (with indicative budget allocations) is attached as Appendix B. Actual budget allocations to individual assignments are determined following initial briefing and scoping meetings. This work schedule would result in 686 of the planned 840 days being allocated, leaving 154 remaining unallocated.

**3.0    Details of Consultation**

3.1    Not applicable

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

4.1    At this point, there are no variances in the plan significant enough to warrant a formal revision.  The options available relate to the proposed assignments, specifically their relevance in terms of Internal Audit's provision of assurance.

4.2    The main risk to consider is that the developing internal audit programme might not be effective in providing the expected levels of assurance to management and the Council (via the Audit Committee).  It is felt that the process adopted, involving Corporate Management Team and the Council's statutory officers and liaising with the external auditor ensures as far as possible that internal audit work plans are suitably focused, relevant and effective.

4.3    The options are to a) endorse the proposed assignments and revised work programme as attached, or b) endorse the revised work programme subject to any additional/alternative assignments being considered for inclusion.

**5.0    Officer Preferred Option**

5.1    The officer preferred option is option a) that the proposed assignments and work programme set out in Appendix B is endorsed.

**6.0    Conclusion**

6.1    Good progress is being made with the 2007/08 Internal Audit Plan and no major difficulties are envisaged at this stage.

| CONCLUSION OF IMPACT ASSESSMENT<br>**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**<br><br>Not applicable |
| --- |
| **FINANCIAL IMPLICATIONS**<br><br>None arising from this report |
| **SECTION 151 OFFICER'S COMMENTS**<br><br>The Section 151 Officer has been consulted and has no further comments. |
| **LEGAL IMPLICATIONS**<br><br>None arising from this report |
| **MONITORING OFFICER'S COMMENTS**<br><br>The Monitoring Officer has been consulted and has no further comments. |

| BACKGROUND PAPERS | Contact Officer: Derek Whiteway |
| --- | --- |
| Internal Audit Plan 2007/08 | **Telephone:  01524 582028**<br>**E-mail:** dwhiteway@lancaster.gov.uk<br>**Ref:** aud/comm/audit/070919 |

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**Internal Audit Annual Plan 2007/08 - Monitoring as at 10/08/07**

| Area of Work | 2007/08 Planned Days | Work Allocations | | | | Actuals |
|---|---|---|---|---|---|---|
| | | Job No | Title | Alloc. days | | 10/08/07 |
| **1.  ASSURANCE WORK** | | | | | | |
| **CORE FINANCIAL SYSTEMS** | | | | | | |
| Planned Days | 100 | 07/0674 | Housing Benefits (Payments) | 10 | | 8.2 |
| Allocated | 13 | 07/0680 | Housing Benefits (Accounting & Subsidy) | 3 | | 2.1 |
| Unallocated | 87 | | | | | |
| **CORE MANAGEMENT ARRANGEMENTS** | | | | | | |
| Planned Days | 120 | 06/0666 | Corporate Governance & SIC 2006/07 | 10 | | 13.7 |
| Allocated | 10 | | | | | |
| Unallocated | 110 | | | | | |
| **CORE OPERATIONAL SYSTEMS** | | | | | | |
| Planned Days | 70 | | | | | |
| Allocated | 0 | | | | | |
| Unallocated | 70 | | | | | |
| **RISK BASED ASSURANCE WORK PROGRAMME** | | | | | | |
| Planned Days | 200 | 07/0658 | Licensing | 12 | | 7.0 |
| Allocated | 114 | 07/0681 | Sea & River Defences | 10 | | 2.4 |
| Unallocated | 86 | 07/0678 | Insurances | 8 | | 1.6 |
| | | 07/0679 | Markets | 10 | | 0.1 |
| | | 07/0682 | Vehicles & Plant | 10 | | 2.3 |
| | | 07/0676 | Leisure Centre & Community Pools | 12 | | 4.4 |
| | | 07/0675 | Housing Advances | 3 | | 2.0 |
| | | 07/0683 | Storey Institute (Project) | 7 | | 1.7 |
| | | 07/0684 | Civica Implementation (Project) | 5 | | 2.5 |
| | | 07/0685 | EDMS Implementation (Project) | 5 | | 3.7 |
| | | 07/0686 | Sustainable Community Strategy (Project) | 5 | | 2.4 |
| | | 06/0634 | Elections & Electoral Registration | 7 | | 2.6 |
| | | 07/0673 | Right To Buy | 10 | | 5.2 |
| | | 07/0677 | Cemeteries | 10 | | 6.0 |
| **2.  CONSULTANCY WORK** | | | | | | |
| **Support Work (projects and other)** | | | | | | |
| Planned Days | 65 | 06/0628 | Project Management Development | 12 | | 14.1 |
| Allocated | 44 | 06/0630 | Procurement Strategy Implementation | 5 | | 2.0 |
| Unallocated | 21 | 06/0633 | Risk Management Strategy Implementation | 5 | | 1.8 |
| | | 03/0509 | RIPA Monitoring & Central Register | 5 | | 1.6 |
| | | 03/0549 | News & Views Editorial Team | 2 | | 0.3 |
| | | 06/0656 | Use of Resources 2006/07 | 2 | | 0.8 |
| | | 06/0664 | NFI 2006 | 3 | | 3.0 |
| | | 07/0672 | Financial Regs & Procedures | 3 | | 1.7 |
| | | 07/0691 | NFI 2007/08 | 5 | | 0.6 |
| | | 128/129 | Contract Management | 2 | | 1.4 |
| **Ad-Hoc Advice** | **60** | | | | 60 | 27.8 |
| **Efficiency & VfM** | | | | | | |
| Planned Days | 30 | 07/0687 | VfM Self-Assessment | 15 | | 15.4 |
| Allocated | 15 | | | | | |
| Unallocated | 15 | | | | | |
| **3.  OTHER** | | | | | | |
| Non Audit Duties | 5 | | | | 5 | 4.3 |
| **4.  AUDIT MANAGEMENT** | | | | | | |
| Planning, Monitoring and Committee Work | 45 | | | | 45 | 24.9 |
| **5.  CONTINGENCIES** | | | | | | |
| Provision for Follow Up Reviews | 70 | | | | 70 | 11.5 |
| General Contingency | 40 | | | | | |
| **Investigations** | | | | | | |
| Planned Days | 35 | 06/0663 | Williamson Park | 15 | | 16.7 |
| Allocated | 15 | | | | | |
| Unallocated | 20 | | | | | |
| **TOTALS** | | | | | | |
| Planned Days | 840 | | | | | |
| Allocated | 391 | | | | 391 | 195.8 |
| Unallocated | 449 | | | | | |

**Appendix A**

**Internal Audit Annual Plan 2007/08 - Monitoring as at 10/08/07**

| Area of Work | 2007/08 Planned Days | Work Allocations | | | | Actuals |
|---|---|---|---|---|---|---|
| | | Job No | Title | | Alloc. days | 10/08/07 |
| **WIP 01/04/07 Bfwd** | **Planned Days** | **Quarter 1 (April-June 2007)** | | | | **Actual** |
| Allocated | 47.8 | 06/0611 | Fraud & Corruption | | 3.2 | 3.0 |
| | | 06/0660 | Housing Rents | | 12.3 | 9.3 |
| | | 06/0631 | Housing Repairs & Mtce | | 1.9 | 1.9 |
| | | 06/0642 | Building Control | | 6.8 | 6.8 |
| | | 06/0645 | Car Parking Provision & Control | | 7.3 | 7.3 |
| | | 06/0655 | HB & CTB | | 0.4 | 0.4 |
| | | 04/0589 | Management of Commercial Properties | | 2.0 | 0.5 |
| | | 06/0647 | Creditors 2006/07 | | 0.4 | 0.4 |
| | | 06/0649 | Payroll 2006/07 | | 1.5 | 1.5 |
| | | 06/0657 | Environmental Protection | | 3.0 | 0.8 |
| | | 06/0661 | Sundry Debtors | | 3.0 | 3.0 |
| | | 06/0668 | Asset Management | | 2.0 | 0.2 |
| | | 06/0669 | Performance Management | | 2.0 | 0.5 |
| | | 06/0667 | Risk Management | | 2.0 | 0.6 |
| **TOTALS** | **47.8** | | | | **47.8** | **36.2** |

| GRAND TOTALS | | | | | | |
|---|---|---|---|---|---|---|
| Planned Days | 887.8 | | | | | |
| Allocated | 438.8 | | All Assignments | | 438.8 | 232.0 |
| Unallocated | 449.0 | | | | | |

**Internal Audit Annual Plan 2007/08 - Proposed Revision, Audit Committee 19/09/07)**

| Area of Work | 2007/08 Planned Days | Work Allocations | | |
| --- | --- | --- | --- | --- |
| | | Job No | Title | Alloc. days |
| **1. ASSURANCE WORK** | | | | |
| **CORE FINANCIAL SYSTEMS** | | | | |
| Planned Days | 100 | 07/0674 | Housing Benefits (Payments) | 10 |
| Allocated | 98 | 07/0680 | Housing Benefits (Accounting & Subsidy) | 3 |
| Unallocated | 2 | | Main Accounting | 10 |
| | | | Asset Management | 5 |
| | | | Fraud & Corruption | 15 |
| | | | Payroll | 10 |
| | | | Ordering & Payments | 10 |
| | | | Sundry Debtors | 10 |
| | | | Income Management | 5 |
| | | | Treasury Management | 5 |
| | | | Council Tax | 5 |
| | | | National Non-Domestic Rates | 5 |
| | | | Housing Rents | 5 |
| **CORE MANAGEMENT ARRANGEMENTS** | | | | |
| Planned Days | 120 | 06/0666 | Corporate Governance & SIC 2006/07 | 10 |
| Allocated | 105 | | Performance Management | 15 |
| Unallocated | 15 | | Risk Management | 10 |
| | | | Information Management (Records Mgt) | 15 |
| | | | Corporate Governance | 15 |
| | | | Partnership Arrangements | 15 |
| | | | Procurement & Contract Management | 15 |
| | | | Project Management (Review of LAMP) | 10 |
| **CORE OPERATIONAL SYSTEMS** | | | | |
| Planned Days | 70 | | ICT Facilities and Systems | 40 |
| Allocated | 40 | | | |
| Unallocated | 30 | | | |
| **RISK BASED ASSURANCE WORK PROGRAMME** | | | | |
| Planned Days | 200 | 07/0658 | Licensing | 12 |
| Allocated | 184 | 07/0681 | Sea & River Defences | 10 |
| Unallocated | 16 | 07/0678 | Insurances | 8 |
| | | 07/0679 | Markets | 10 |
| | | 07/0682 | Vehicles & Plant | 10 |
| | | 07/0676 | Leisure Centre & Community Pools | 12 |
| | | 07/0675 | Housing Advances | 3 |
| | | 07/0683 | Storey Institute (Project) | 7 |
| | | 07/0684 | Civica Implementation (Project) | 5 |
| | | 07/0685 | EDMS Implementation (Project) | 5 |
| | | 07/0686 | Sustainable Community Strategy (Project) | 5 |
| | | 06/0634 | Elections & Electoral Registration | 7 |
| | | 07/0673 | Right To Buy | 10 |
| | | 07/0677 | Cemeteries | 10 |
| | | | Fair Pay (Project) | 20 |
| | | | PAYE | 10 |
| | | | External Funding Arrangements | 10 |
| | | | LAA | 10 |
| | | | Enhanced Two-Tier Working | 10 |
| | | | Neighbourhood Management | 10 |
| **2. CONSULTANCY WORK** | | | | |
| **Support Work (projects and other)** | | | | |
| Planned Days | 65 | 06/0628 | Project Management Development | 12 |
| Allocated | 44 | 06/0630 | Procurement Strategy Implementation | 5 |
| Unallocated | 21 | 06/0633 | Risk Management Strategy Implementation | 5 |
| | | 03/0509 | RIPA Monitoring & Central Register | 5 |
| | | 03/0549 | News & Views Editorial Team | 2 |
| | | 06/0656 | Use of Resources 2006/07 | 2 |
| | | 06/0664 | NFI 2006 | 3 |
| | | 07/0672 | Financial Regs & Procedures | 3 |
| | | 07/0691 | NFI 2007/08 | 5 |
| | | 128/129 | Contract Management | 2 |

**Internal Audit Annual Plan 2007/08 - Proposed Revision, Audit Committee 19/09/07)**

| Area of Work | 2007/08 Planned Days | Work Allocations | | |
| --- | --- | --- | --- | --- |
| | | Job No | Title | Alloc. days |
| **Ad-Hoc Advice** | **60** | | | 60 |
| **Efficiency & VfM** | | | | |
| Planned Days | 30 | 07/0687 | VfM Self-Assessment | 15 |
| Allocated | 15 | | | |
| Unallocated | 15 | | | |
| **3. OTHER** | | | | |
| Non Audit Duties | 5 | | | 5 |
| **4. AUDIT MANAGEMENT** | | | | |
| Planning, Monitoring and Committee Work | 45 | | | 45 |
| **5. CONTINGENCIES** | | | | |
| Provision for Follow Up Reviews | 70 | | | 70 |
| General Contingency | 40 | | | |
| **Investigations** | | | | |
| Planned Days | 35 | 06/0663 | Williamson Park | 20 |
| Allocated | 20 | | | |
| Unallocated | 15 | | | |
| **TOTALS** | | | | |
| Planned Days | 840 | | | |
| Allocated | 686 | | | 686 |
| Unallocated | 154 | | | |

**AUDIT COMMITTEE**

# Corporate Governance – Constitutional Amendment
# 19<sup>th</sup> September 2007

# Report of Head of Democratic Services

| PURPOSE OF REPORT |
| --- |
| The report recommends consideration of a revision to the Constitution following a recent request to produce a report to Committee. |
| This report is public |

### 1.0 RECOMMENDATIONS

**That Committee consider whether, or not, a new Council Procedure Rule 15.3 (with subsequent re-numbering of 15.3 and 15.4) should be included in the Constitution with immediate effect as follows:**

**15.3 Officer Briefing Note**

**Where a Motion for which Notice has been given is included on the Agenda, an officer briefing note will be included on the Agenda to accompany that motion setting out in particular any key risks and potential financial and legal implications for the Council should the proposed motion be carried.**

### 2.0 Introduction

2.1 Members will be aware that the Constitution currently provides for Members to submit written notices of motions for debate at full Council as follows:

*'15 MOTIONS ON NOTICE*

*15.1 Notice*

*Except for motions which can be moved without notice under Rule 16, written notice of every motion, from at least 2 Members, must be delivered to the Chief Executive not later than 10 days before the date of the meeting in writing or by electronic mail (from a known or recognised source). This can be collective notification for Members of the same political group. These will be entered in a book open to public inspection.*

*15.2 Motion Set Out in Agenda*

*Motions for which notice has been given will be listed on the agenda in the order in which notice was received, unless the Members who have given notice state, in writing, that they propose to move it to a later meeting or withdraw it.*

*15.3* **Scope**

*Motions must be about matters for which the Council has a responsibility or which affect the District.*

*15.4* **Closure of Debate**

*Debate on any motion for which notice has been given may be closed after 45 minutes, when the Mayor may move to the summing up and vote on any amendment then being debated and on the substantive motion without further debate or amendment.'*

2.2 In the past 12 months the following have been the subject of a Motion on Notice:
- Proposed Heysham/M6 Link (June 2007)
- Sustainable Communities Bill (Feb 2007)
- Rail Transport - Loss of Services (Feb 2007)
- Micro Renewable Technology (Feb 2007)
- Traffic Calming near Schools(Dec 2006)
- School Bus Fares Increases(Dec 2006)
- Privatisation of NHS (Sept 2006)
- Piccadilly Gardens (Sept 2006)
- Top Up Fees for Students(Sept 2006)
- Climate Change Action (July 2006)

**3.0 Background**

3.1 The custom and practice has been for the Chief Executive, on receipt of any Notice of Motion, to consider any potential for its approval to have implications for the Council and where necessary request an appropriate officer to provide a briefing note to accompany the Motion on the agenda. This sets out any potential risks and provides the opportunity for Members to ask questions of the relevant Director prior to the debate.

3.2 A request has been made to bring forward a report to enable the Committee to consider whether, or not, a formal process should be introduced to include an officer briefing note alongside all Member motions.

3.3 Should Audit Committee resolve to make this a formal requirement of the Constitution, then an appropriate amendment is required to Council Procedure Rule 15, and this will be reported to the next meeting of the Council Business Committee.

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

4.1 The options available to the Committee are to recommend the inclusion of the proposed amendment to formalise the requirement for an officer briefing note to be provided to accompany all Motions on Notice at full Council or to take no action, recognising that officers already provide an appropriate briefing note when considered necessary.

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

None.

**FINANCIAL IMPLICATIONS**

There are no direct financial implications as a result of this report, although the change to the constitution being considered requires officer resources to be used to produce briefing notes each and every time a member motion is proposed.

**SECTION 151 OFFICER'S COMMENTS**

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

**LEGAL IMPLICATIONS**

In accordance with Article 15 of the Constitution, changes to the Constitution can only be made as a result of recommendations from the Monitoring Officer or Audit Committee. Approval of the proposed amendment is delegated to the Council Business Committee.

**MONITORING OFFICER'S COMMENTS**

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

| **BACKGROUND PAPERS** | **Contact Officer:** Gillian Noall |
|---|---|
| None | **Telephone:** 01524 582060<br>**E-mail:** gnoall@lancaster.gov.uk |

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AUDIT COMMITTEE

# UPDATE TO FINANCIAL REGULATIONS AND PROCEDURES
# 19 SEPTEMBER 2007

# Report of Head of Financial Services

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### PURPOSE OF REPORT

This report seeks approval to update the Financial Regulations and Procedures in line with recent developments in project and capital programme management.

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**This report is public.**

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**RECOMMENDATIONS**

**(1) That the Committee approves the update of the Financial Regulations and Procedures relating to capital schemes, as set out at Appendix B.**

**REPORT**

1.1 Following the introduction of the Council's new approach for managing projects (known as LAMP), the outline arrangements for programme management have also been developed. From an officer perspective, the Asset Management Working Group (AMWG) has responsibility for overseeing the Capital Programme and this reports on an exception basis to the Performance Management Group.

1.2 The AMWG has been in operation for a number of years now and its general role is fairly well established; its terms of reference are set out at *Appendix A* for information. It has become clear, however, that in order to become more effective, and to ensure improved efficiency in the management of Capital Programmes, a greater degree of officer delegation is required in certain circumstances.

1.3 Furthermore, in recent years a number of other key developments have been introduced into the ways in which the Council manages its capital programming and financing. These include:

- Improvements to the Council's Capital Investment Strategy
- Adoption of a Corporate Property Strategy
- Implementation of the Prudential Code for Capital Finance in Local Authorities

- Provision for undertaking lease v buy appraisals and implementing their outcomes
- Publication of corporate guidance on the use of Whole Life costing.

Taking account of all the above, a new draft set of Financial Regulations and Procedures relating to capital schemes has been produced, as set out at **Appendix B.** The views of other key services have been considered in developing the proposals, and it is felt that they would give a sound framework on which to take capital programming forward, whilst maintaining effective financial control and governance.

The Committee is requested to consider the attached, and approve it to be included in the Council's full Financial Regulations and Procedures.

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

No implications directly arising.

**FINANCIAL IMPLICATIONS**

There are no financial implications directly arising.

**DEPUTY SECTION 151 OFFICER'S COMMENTS**

This report was prepared by the s151 officer as part of her responsibilities.

**LEGAL IMPLICATIONS**
Legal Services have been consulted and there are no legal implications directly arising from this report.

**MONITORING OFFICER'S COMMENTS**
The Monitoring Officer has been consulted has no further comments to add.

| **BACKGROUND PAPERS** Accounting and Audit Regulations 2003. | **Contact Officer:** Nadine Muschamp **Telephone:  01524 58**2117 **E-mail:** nmuschamp@lancaster.gov.uk **Ref:** |
|---|---|

# ASSET MANAGEMENT WORKING GROUP

# TERMS OF REFERENCE

**PURPOSE OF THE GROUP**

Provide advice and guidance on the best use of Council assets as necessary.

Provide co-ordinated organisation, direction and authority to implement projects within the approved capital programme to meet corporate priorities, achieve outcomes and realise benefits that are of strategic importance.

In fulfilling its responsibilities the Group will take account of:

- Capital accounting regulations and associated legislation
- The Corporate Plan, Corporate Property Strategy, Capital Investment Strategy, Medium Term Financial Strategy, and other relevant policies, initiatives and targets, particularly the Council's Financial Regulations and Procedures and Contract Procedure Rules
- Best practice in asset management
- The standards and principles sets out in Lancaster City Council's Approach to Project Management (LAMP)

**SPECIFICALLY THE GROUP WILL:**

1. Develop, monitor and keep under review the Council's capital investment appraisal system to support corporate priorities and the overall budget and planning processes, and in line with any further associated requirements that Cabinet may specify from time to time

2. Keep under review the strategic management of the Council's land and property assets

3. Contribute to the development, monitoring and review of the Council's Corporate Property Strategy (incorporating the Asset Management Plan) and its overall Capital Investment Strategy

4. Keep under review external funding opportunities

5. Lead on establishing and maintaining the LAMP methodology as the corporate standard for capital project management

6. Support the successful delivery of individual projects and the wider objectives of the Capital Programme through visible leadership and commitment

7. Consider submitted Project Mandate/Project Initiation Document (PID)s relating to individual projects and authorise commencement of approved projects (incorporating also the s151 officer's agreement of funding being in place, as required under Financial Regulations).

8. Monitor and review the progress of projects through Highlight Reports submitted by Project Executives at intervals agreed with the AMWG

9. Consider Exception Reports, submitted by Project Executives, of the options available and the preferred solutions to deal with the implications of any forecasted deviations from set project tolerance levels.

## ASSET MANAGEMENT WORKING GROUP

10. Approve the recommended options as presented in Exception Reports, or suggest alternatives that will maintain focus on the successful delivery of projects and the wider objectives of the Capital Programme

11. Report to the Performance Management Group, on an exception basis, on matters relating to individual projects and annually on the overall achievement of the Capital Programme.

## CAPITAL PROGRAMMES

### Why is this important?

2.50    Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles.  Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

2.51    The capacity of an authority to finance capital is constrained.  This means that capital expenditure and financing plans should form part of an overall investment strategy, and should be carefully prioritised in order to maximise the benefit of scarce resources.

### Key controls

2.52    The key controls for capital programmes generally are:

a)    Capital schemes and their funding should be in line with the Council's Capital Investment Strategy, which forms part of the policy framework and so requires full Council approval.

b)    Each year Cabinet will review the Strategy and make recommendations to full Council, taking account of the requirements of and guidance on CIPFA's Prudential Code for Capital Finance in Local Authorities.

c)    Capital schemes should also be in line with the Council's Asset Management Plan (also known as the Corporate Property Strategy).

d)    Proposals for capital improvements and alterations to buildings must be supported by the appropriate Corporate Director/s or Service Head/s.

e)    Estimated revenue implications should be calculated for all scheme proposals, including whole life costs, where the size or nature of the project requires it.

f)    All new projects will be managed using LAMP, as appropriate to their size, level of risk and/or complexity.   Through this, accountability for each project will be accepted by a named manager, i.e. the project executive.

g)    Commencement of any capital scheme is subject to:

-    the approval of a project mandate and/or project initiation document in line with Lancaster City Council's Approach to Managing Projects – known an 'LAMP'

-    the approval of the Section 151 Officer (to confirm availability of funding)

h)    Financial monitoring of progress is undertaken in accordance with the Council's corporate arrangements, including comparison of actual and forecast expendiure and income, against approved budgets.

i)    As part of the annual budget process, full Council approves the full programme of capital expenditure and financing for future years, including revenue implications.

j) Schedules of projects for specific programmes within the overall capital budget approved by full Council (for example, minor works and grants, or externally funded programmes such as SRB) must be submitted to the Cabinet for approval, or under other delegated arrangements approved by Cabinet.

k) Any in-year changes to schemes, or new scheme proposals, will be considered in line with the arrangements below.

2.53 The key tolerances for in-year changes to existing schemes within the capital programme are:

a) Full Council approval is required for any scheme proposal which falls outside of the approved Capital Investment Strategy or budget framework. Only full Council may delete schemes from the approved Programme.

b) The Head of Financial Services may update the Capital Programme for transferring amounts between schemes contained within the approved programme, subject to:
- there being no additional call on the Council's finances, in capital or revenue terms;
- the transfer being no greater than £10,000 or 10% of a scheme's total budget, whichever is the greater; and
- the transfer being supported by the Asset Management Working Group, relevant Director/s and Cabinet Member/s, and it being in accordance with the approved Capital Investment Strategy.

c) Likewise the Head of Financial Services may also update the Capital Programme and/or Revenue budget in respect of any accounting changes or requirements, which have no impact on the Council's budgetary position. (e.g. in respect or lease v buy appraisals).

d) Cabinet approval is required for all other transfers above £10,000 or 10% of a scheme's total budget, whichever is the greater, subject to no scheme being deleted (entirely or effectively) and it being within the overall budget framework.

e) Project Executives / Boards have no authority to incur expenditure above the budget as included in the approved Programme. Where the budget reflects a separate programme in itself (e.g. EDZ, SRB), then the relevant Programme Board has no authority to incur expenditure above the budget line, but it may make budget transfers between individual projects within its programme, subject to delegated authority being granted by Cabinet.

2.54 The key controls for considering any new scheme proposals that arise in-year are as follows:

a) The Head of Financial Services may update the Capital Programme to include new schemes, subject to:

- there being no additional call on the Council's finances, in capital or revenue terms;
- there being no prudential borrowing requirement or expectation;
- the gross capital cost of the scheme not exceeding £250,000;
- the proposal being supported by the Asset Management Working Group, relevant Director/s and Cabinet Member/s, and it being in accordance with the approved Capital Investment Strategy;

- the project being similar in nature and scope to schemes already contained within the approved Programme;
- the Council already has, or has had within the last two years, an established full formal relationship as an Accountable Body (if applicable); and
- the timing of proposal is such that it cannot reasonably be considered as part of the annual budget and planning process.

b) Cabinet approval is required for any new scheme proposal which does not meet the above conditions.

c) Furthermore, full Council approval is required for any new scheme proposal which:

- falls outside of the approved Capital Investment Strategy; or
- falls outside of the Prudential Indicators, as calculated under the Prudential Code; or
- cannot otherwise be met from within the approved revenue / capital budget, allowing for any discretion or budget flexibility that Cabinet may have (e.g. through the Meduim Term Financial Strategy.).

2.55 Any delegations in line with the above would be subject to the key decision criteria (i.e. inclusion in the forward plan and call-in), as appropriate.

## Responsibilities of the Section 151 Officer

2.56 To report retrospectively through the Council's corporate financial monitoring and performance management arrangements, on any such updates he/she has effected under the above delegations. *(From an officer perspective, they would also be included in the reports to Performance Management Group).*

2.57 To prepare capital estimates jointly with Corporate Directors or Service Heads and the Chief Executive and to report them as appropriate for consideration.

2.58 To prepare and submit reports to the Cabinet on the overall projected income, expenditure and resources compared with the approved estimates, as part of reviewing the Council's Capital Investment Strategy.

2.59 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques and capital finance legislation. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements. A copy of the current definition is attached to these procedures.

2.60 To advise Cabinet, Corporate Directors and Service Heads on the availability of funding with regard to the commencement of capital schemes.

2.61 To provide appropriate advice and guidance to Members and Officers, and to establish appropriate performance monitoring and reporting procedures, as required under the Prudential Code for Capital Finance in Local Authorities.

## Responsibilities of Corporate Directors and Service Heads

2.62 To ensure that all capital proposals have undergone a project appraisal in accordance with LAMP guidance, and other financial appraisal guidance as may be issued by the Section 151 Officer.

2.63    To manage capital projects using 'LAMP', and to comply with other guidance concerning capital schemes and controls issued by the Section 151 Officer or other relevant officers.

2.64    To prepare regular reports reviewing the capital programme provisions for their services and highlighting actual or expected variances. This includes monthly returns for submission to the Section 151 Officer, and reporting as required under the Council's Performance Management Framework. It also includes reporting on an exceptions basis, as and when appropriate.

2.65    To ensure that adequate records are maintained for all capital contracts.

2.66    To proceed with projects only when all relevant approvals have been obtained.

2.67    To ensure that credit arrangements, including for these purposes, all leasing agreements, are not entered into without the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.

2.68    To consult with the Section 151 Officer and seek other relevant officer advice, when considering whether to pursue external or other funding opportunities for capital investment, or in developing capital scheme proposals. Such advice should be sought as early as possible in the process.


**NOTE THAT SUBSTANTIVE CHANGES HAVE BEEN HIGHLIGHTED.**

## AUDIT COMMITTEE

# Revised Terms of Reference for the Budget and Performance Panel

# 19<sup>th</sup> September 2007

# Report of the Head of Democratic Services

| PURPOSE OF REPORT |
| --- |
| To enable the Committee to consider revised terms of reference agreed by the Budget and Performance Panel on 31<sup>st</sup> July 2007. |

**This report is public**

### RECOMMENDATIONS

**(1)     That the Committee recommends to Council that the Terms of Reference of the Budget and Performance Panel as set out in the Constitution be amended.**

**1.0     Introduction**

At the Budget and Performance Panel meeting on the 31<sup>st</sup> July 2007, Members agreed to the proposed revision to the terms of reference in order to make them more specific to the aims of the Panel.

**2.0     Details**

The existing terms of reference are attached to this report together with proposed revisions as agreed by the Panel.

The Committee is asked to endorse the amended terms of reference recommended by the Budget & Performance Panel for referral to full council so that the Constitution can be updated accordingly.

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

No impact directly arising.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**SECTION 151 OFFICER'S COMMENTS**

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

**LEGAL IMPLICATIONS**

Changes to the Constitution will only be approved after hearing recommendations on a proposal from the Monitoring Officer and/or the Audit Committee. Full Council is then responsible for approving any changes.

**MONITORING OFFICER'S COMMENTS**

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

| **BACKGROUND PAPERS** Existing Budget and Performance Terms of Reference and proposed revisions. | **Contact Officer:** Jon Stark **Telephone: 01524 582132** **E-mail:** jstark@lancaster.gov.uk **Ref:** |
|---|---|

## BUDGET AND PERFORMANCE PANEL

## PROPOSED TERMS OF REFERENCE

1. To scrutinise the Council's arrangements and performance in relation to financial planning, including budget / target setting. e.g. items within the Budget Framework including :

❑ reviewing the effectiveness of the budget setting process,
❑ role of Star Chamber,
❑ contents of the Medium Term Financial Strategy and
❑ Capital Investment Strategy and
❑ financial targets in the Corporate Plan.

2. To review the management of resources by scrutinising the Council's financial performance in year against agreed budgets or other targets. e.g.

❑ capital and revenue spending against approved budgets,
❑ specific activities including treasury management, generation of revenue and capital income targets and
❑ monitoring of financial savings/efficiency targets (MTFS/Gershon).

3. To monitor and review by exception reporting within the PRTs the performance of the Council's services, Partnerships and contractual arrangements in delivering specific strategic and operational objectives and outcomes. e.g.

❑ receive Performance Review Team reports,
❑ monitor the delivery and effectiveness of Service Level Agreement targets,
❑ assess performance against key performance indicators and benchmarks,
❑ assess whether services and partnerships are delivering their expected outcomes.

4. To scrutinise the Council's policies and procedures and other supporting arrangements for securing value for money (i.e. economy, efficiency, effectiveness) e.g.

❑ value for money strategy,
❑ procurement practices,
❑ income management and collection arrangements,
❑ asset management practices
❑ insurance arrangements.

5. To consider risk management issues in reviewing and scrutinising performance.

6. To make recommendations as appropriate in respect of the above.

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**Budget and Performance Panel Terms of Reference**

The Budget and Performance Panel would have responsibility for carrying out Overview and Scrutiny for the Council's Budget AND Performance at both strategic and service level.

1.      To scrutinise the Council's performance in relation to budgetary management and targets.

2.      To assist and monitor the Cabinet in the continued development of a medium term budget strategy;

3.      To review the management of resources made available to the Council and to scrutinise its financial management, treasury management, property and asset acquisition and disposal, capital programme and to evaluate the adequacy and effectiveness of the Council's financial and operational policies and procedures including financial and accounting management

4.      To perform the overview and scrutiny function in relation to all of the Council's Corporate Performance and Best Value activity. In particular:

        a)  the effectiveness of the Council's major partnerships
        b)  the implementation of Best Value Review Action Plans

5.      To recommend matters to be addressed for reviews, particularly with regard to Best Value.

6.      To review the local authority's strategic performance and monitor year-on-year Performance Indicators, Key Performance Indicators and benchmarking.

7.      To review the progress of Services in achieving the objectives of their Business Plans (Business Plan Monitoring).

8.      To review and monitor external Service Level Agreements and other contractual arrangements that the Council has entered in to.

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