



**Committee: AUDIT COMMITTEE**

**Date: WEDNESDAY, 24 SEPTEMBER 2008**

**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 25<sup>th</sup> June, 2008 (previously circulated).

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

4. **Declarations of Interest**

5. **Local Government Ombudsman - Annual Letter 2007/08 (Pages 1 - 6)**

Report of Head of Information & Customer Services

6. **Constitutional Amendment – Restriction on Cabinet Members as Members of the Planning and Highways Regulatory Committee (Pages 7 - 14)**

Report of Chief Executive

7. **Statement of Accounts 2007/08 (Pages 15 - 16)**

Report of the Head of Financial Services

Appendices to follow

8. **Results of Internal Audit Work (Pages 17 - 19)**

Report of Internal Audit Manager

9. **Internal Audit Plan Update (Pages 20 - 29)**

Report of Internal Audit Manager

## **ADMINISTRATIVE ARRANGEMENTS**

(i) **Membership**

Councillors Malcolm Thomas (Chairman), Jon Barry, Abbott Bryning, Roger Dennison,

Janice Hanson, Geoff Knight and Keith Sowden

**(ii) Substitute Membership**

Councillors Shirley Burns, Tina Clifford, Tony Johnson, Karen Leytham, Geoff Marsland, Ian McCulloch and Sylvia Rogerson

**(iii) Queries regarding this Agenda**

Please contact Sharon Marsh, Democratic Services - telephone (01524) 582096 or email [smarsh@lancaster.gov.uk](mailto:smarsh@lancaster.gov.uk).

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

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

MARK CULLINAN,  
CHIEF EXECUTIVE,  
TOWN HALL,  
DALTON SQUARE,  
LANCASTER LA1 1PJ

Published on Monday 15<sup>th</sup> September 2008

# AUDIT COMMITTEE

## Local Government Ombudsman – Annual Letter 2007/08

24<sup>th</sup> September 2008

### 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 2007/08, 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 2007/08 be noted.
- (2) The Committee is requested to 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 make a presentation to 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 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 2007/2008

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

### (a) Performance

In 2007/08 the Ombudsmen received a total of 17,628 complaints, compared with 18,320 in the previous year – a decrease of 3.8 per cent. Housing benefit complaints have continued to fall. Complaints about antisocial behaviour have fallen by over 8% after a significant rise (13.5 per cent) in 2006/07. The total number of complaints where redress was obtained was 3,057 – 27.9 per cent of all complaints determined. Reports on completed investigations where there was a finding of maladministration were issued on 119 complaints. Local settlements were agreed in 2,939 cases – 26.8 per cent of all decisions, excluding premature complaints and those outside jurisdiction. This is a similar proportion to the previous year.

The monitoring of the Ombudsmen's performance in deciding cases indicates that the percentage of complaints determined within 13 and 26 weeks has increased slightly on the previous year and the number of outstanding cases more than 52 weeks old has also increased. The Ombudsmen have stated that they are pleased with their performance against targets this year. 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). Their performance is also affected by response times from complainants and local authorities. The percentage of authorities with an average response time within the timescale of 28 days has increased compared to the previous year.

### (b) Promoting Awareness and Providing Advice

In 2007/08 the Ombudsmen reviewed their complaint literature in response to feedback from the public and the advisory sector. A shorter, more customer friendly leaflet was developed to reflect the new approach to first contact with complainants provided by the LGO Advice Team. Guidance notes and training courses are provided for council officers involved in co-ordinating complaints responses. Every Council is sent an Annual Letter which summarises the Ombudsmen's experience of handling their complaints and may contain suggestions for improvements where relevant. 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** 26 complaints from residents of the City, 5 fewer than 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.

Nine of the complaints, 34% of all complaints received, were about housing, Six complaints were about planning and building control, an increase of four on 2006/07, and two were in relation to transport and highways, one fewer than the previous year. There were three complaints about public finance, a reduction of two on last year. One complaint was received in respect of benefits, six fewer than in 2006/07. The remaining five complaints were recorded in the 'other' category. They included complaints about environmental health, employment and pensions (which are outside the Ombudsman's jurisdiction), contracts and business matters, land and a miscellaneous matter.

### (b) Reports and local settlements

When the Ombudsman needs to complete an investigation he will issue a report. One report was issued during 2007/08 regarding two complaints about regeneration and improvement. Failings were identified in recording, poor written communications with the complainants and inadequate advice about their options when the Council planned to acquire and demolish their homes. This resulted in lost opportunity for the complainants and financial loss. To remedy the complaints, the Council agreed to make a payment of £27,000 to one complainant and £13,625 to the other. The Ombudsman received a similar complaint from another resident after issuing his report and the Council agreed to give the complainant the same remedy as was recommended in the reported cases. The Ombudsman has commended the Council's prompt actions in this case and for settling this additional complaint without the need for further investigation.

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.

One complaint was settled locally during 2007/08. The complainant felt that the

Council had been unreasonable in taking recovery action for council tax arrears on his late father's home and by failing to respond to his queries. The Ombudsman has stated that the Council was helpful and proactive in agreeing to meet with the complainant to explain liability issues.

(c) Decisions on complaints

Seven complaints were treated as premature and referred back to the Council so that they could first be considered through the Council's complaints procedure. In a further seven cases the Ombudsman took the view that the matters complained about were outside his jurisdiction. The remaining 14 complaints were not pursued because no evidence of maladministration was seen, or because it was decided for other reasons not to pursue them, mainly because no significant injustice flowed from the fault alleged.

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

Seven of the 31 complaints decided during 2007/08 were premature (23%). This was lower than the national average, which was 27% for the year. The Ombudsman's view is that this indicates that the Council's complaints process is accessible and clear to citizens. Of the seven complaints that were determined as premature, two were resubmitted. These were both related to planning applications and were not pursued either because insufficient evidence of maladministration was seen or because it was decided not to pursue them for other reasons.

The Ombudsman has stated that he is pleased that his investigators have remarked that the Council's officers are generally proactive and helpful.

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

The time taken to respond to enquiries in 2005/06 was 35 days and in 2006/07 it had been improved to 29 days. Enquiries were made on twelve cases in 2007/08, and the average response time was just under 18 days. The continuing improvement here is very commendable and is now within the target response 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 **26** complaints against this Council were **received** by the Ombudsman during 2007/2008. These can be broken down as follows: -

2 Highways

9 Housing

- 1 Benefits
- 5 Other
- 6 Planning and Building control
- 3 Public Finance

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

- 2 Maladministration causing injustice
- 10 No evidence of maladministration
- 4 Ombudsman's discretion
- 1 Local Settlement
- 7 Outside Local Government Ombudsman's jurisdiction.
- 7 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 had 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 was 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 was introduced to allow us to manage the process more effectively. This has resulted in an average response time of just under 18 days for 2007/08.

The Ombudsman mentions specifically that he was pleased to give a talk to the Council's Audit Committee in April 2008 about the developing role of the Ombudsman. The Council's link officer had been due to attend Coventry's annual link officers' seminar in November 2007 but unfortunately was unable to do so due to illness. However her place was taken by her line manager and she hopes to be able to attend herself 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 obtained from using complaints as a performance management tool.

For the current year there were no complaints requiring a timed response received during the period April to June 2008.

**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.**

**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**

Local Government Ombudsmen's Annual Letter and Report 2007/2008.

**Contact Officer:** Caroline Thompson

**Telephone:** 01524 582192

**E-mail:** [csthompson@lancaster.gov.uk](mailto:csthompson@lancaster.gov.uk)



**AUDIT COMMITTEE****Constitutional Amendment – Restriction on Cabinet Members as Members of the Planning and Highways Regulatory Committee****Report of the Chief Executive  
24<sup>th</sup> September 2008****PURPOSE OF REPORT**

To provide the Committee with a risk assessment and information about practice within other local authorities to enable members to consider whether Cabinet Members should be excluded from taking part in the consideration of planning applications as members of the Planning and Highways Regulatory Committee.

**This report is public.**

**RECOMMENDATIONS**

- (1) That the Audit Committee notes the content of this report.
- (2) That the Committee considers the matter of whether or not to recommend to Council that a Constitutional amendment be made, excluding Cabinet Members from taking part in the consideration of planning applications as members of the Planning and Highways Regulatory Committee.

**1 Introduction**

- 1.1 On 25<sup>th</sup> June 2008, the Audit Committee considered a report from the Chief Executive, asking Members to consider whether it would be preferable to impose a restriction on Cabinet Members taking part in the determination of planning applications, to avoid any situations where there might be a perception of predetermination or bias.
- 1.2 The Committee asked for further information about two particular issues before considering the matter:-
  - that the City Council undertake a risk assessment to determine whether decisions made by Members on both Cabinet and the Planning and Highways Regulatory Committee could leave the Council open to challenge
  - that the City Council consider whether other Local Authorities allow Members of their Cabinet/Executive to also serve on their planning regulatory committees.

1.3 This report provides Members with further information on these two issues.

## 2 Arrangements made in other Authorities

2.1 13 local authorities responded to a request for information about the arrangements they have in place regarding Cabinet/Executive members also serving on Planning Committees. Cabinet Members sit on the Planning Committees at 7 of those Authorities. Cabinet Members do not sit on the Planning Committees of 4 of the Authorities. 2 of the Authorities only allow the Cabinet Member with responsibility for planning to sit on their Planning Committees.

2.2 The responses are shown in full in a table at Appendix 1.

2.3 Appendix 2 provides an extract from the document "Local Government Act 2000: Guidance to English Local Authorities" issued by the Office of the Deputy Prime Minister in 2000. This guidance, referred to in Appendix 1, was issued to assist with the content and operation of new constitutions and the processes of changing to or revising a new constitution.

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

3.1 The options set out in the original report were:-

- Option 1 – to amend the Council's Constitution to state that Cabinet Members may not also be Members of the Planning Committee. In accordance with Article 15 of the Constitution this will require a recommendation from this Committee to full Council. Should Council adopt this amendment it will then be necessary for a number of Members to be replaced as members or substitutes on Planning Committee or to resign as Cabinet Members.
- Option 2 – to take no action with regard to amending the Constitution and continue to rely on the individual member to ensure that they either withdraw from the determination of planning applications where Cabinet has been involved in the development process or take steps to make it clear that they are approaching the application debate with an open mind.

3.2 Some relatively minor risks have been identified with Option 1 – firstly, that Political groups might find it difficult to put forward enough non-Cabinet Members with availability to attend the daytime meetings of Planning Committee. The Council has flexibility to both reduce the numbers on committees and adjust their timings to accommodate members' availability. This residual risk is therefore of low likelihood and impact. Furthermore, with this option, the Council would lose experienced Members serving on either Planning Committee or Cabinet (depending on which role they relinquished), although this could also be viewed as creating a Member Development opportunity for the replacement Members, who would gain valuable experience and therefore potentially widen the Member skills base.

3.3 Option 2 relies on Members having regard to whether any prior involvement they might have had in relevant Cabinet discussions could suggest predetermination or a perception of bias when a planning application comes before the Planning Committee. In this instance, the individual Member concerned would have to consider whether an observer might take the view that they would not be able to consider the planning application with an open mind. If a Member chooses not to withdraw from considering a planning application in such circumstances, they must

clearly demonstrate that they are doing so with an open mind. Two risks arise from this reliance:-

- 3.4 Failure of a member to withdraw from Planning Committee or clearly demonstrate that they are considering the planning application with an open mind might result in a challenge to the Committee's decision. This could be to by way of appeal to the Secretary of State by the applicant if the planning application were refused, or by way of an application for judicial review in the High Court by a third party in the event that the planning application were granted. The potential financial impact from any legal challenge could be significant. There would be the Council's own defence costs and, if the Council were unsuccessful, potentially the additional cost of an award of costs to the other party. Although it is considered fairly unlikely that a Member would consider the same issue at Cabinet and Planning Committee without withdrawing or taking adequate steps to demonstrate an open mind at the Planning Committee stage, the financial impact could be major if they did.
- 3.5 The Council's and/or individual Member's reputations could suffer if there is a successful legal challenge to the Committee's decision. If there is a successful challenge, then it is highly likely that the incident would be reported in the local press.
- 3.6 Alternatively, having regard to the guidance at Appendix 2, a third option is available – i.e. that the Constitution be amended to state that the relevant Cabinet Member with responsibility for planning matters be included in the membership of the Planning and Highways Regulatory Committee but that he or she should not be the Chairman. This option would provide for a full exchange of information between the Cabinet and the Planning and Highways and Regulatory Committee, in line with the guidance.

**4 Conclusion**

- 4.1 In the light of the information contained in this report, Audit Committee is requested to consider whether it would be preferable to impose a restriction on Cabinet Members taking part in the determination of planning applications in order to avoid any situations where there might be a perception of predetermination or bias.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b>  None
<b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b>  None
<b>FINANCIAL IMPLICATIONS</b>  There are no financial implications as a result of this report.

**SECTION 151 OFFICER'S COMMENTS**

The s151 officer has been consulted and her comments have been reflected in the report.

**LEGAL IMPLICATIONS**

The Council's Constitution provides for amendments to the Membership and Terms of Reference of Committees to be recommended to full Council. Legal Services have been consulted and have no further comments.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and her comments have been incorporated in the report.

**BACKGROUND PAPERS**

Protocol on Planning (Part 7, Section 5 of the Council's Constitution)

Audit Committee agenda and minutes for the meeting on 25<sup>th</sup> June. Agenda item 9; Minute 6.

**Contact Officer:** Debbie Chambers

**Telephone:** 01524 582057

**E-mail:** dchambers@lancaster.gov.uk

**Ref:**

## Cabinet Members sitting on Planning Committees – Information from other Local Authorities.

Council	Cabinet Members sit on Planning	Cabinet Members do not sit on Planning	Notes:
South Ribble		X	Executive Members in South Ribble Borough Council do not sit on their planning committee. The two roles have been kept separate.
Lancashire County Council		X (see notes)	The relevant Cabinet Member is the only Cabinet Member permitted to sit on Development Control. On occasions when this causes difficulties the Monitoring Officer advises the Member to withdraw from Development Control.
Rossendale	X		The Monitoring Officer would apply the rules of personal and prejudicial interests as necessary.
Hyndburn	X		4 out of the current 6 Cabinet members serve on Planning, one of whom is Vice-Chair of Planning Committee. If a difficulty arises the Member withdraws at either Planning or Cabinet, depending which comes first.
Chorley		X	Although not excluded by its Constitution, there are no Executive Members on Chorley Council's Development Control Committee.
Blackburn with Darwen		X (see notes)	Only the Executive Member for the relevant Portfolio (Regeneration and Environment) sits on the Planning and Highways Committee.
Fylde	X		No restrictions in place.
Blackpool		X	The roles are kept entirely separate to avoid any conflict issues.
Preston		X	The Council's constitution does not exclude Cabinet Members from serving on its Planning Committee. However, Cabinet Members have never been members of its Planning Committee because of the potential for perceived conflict of interests.

## Cabinet Members sitting on Planning Committees – Information from other Local Authorities.

Pendle	X		Pendle Borough Council's Planning functions are carried out by a number of area Committees. These are made up of the Councillors for the area concerned, therefore Executive Members do take part in planning decisions.
West Lancashire	X		West Lancashire District Council has a provision in its Constitution based on the Secretary of State's Guidance (attached at Appendix 2) that, to ensure full exchange of information between the Cabinet and Planning Committee, the relevant cabinet portfolio holder should be a member, but not chairman, of the Planning Committee. Other Cabinet members are also on its Committee. If a member has participated at Cabinet in relation to a landowning matter which comes before Planning they may declare and not participate. Occasionally they may choose to declare at Cabinet and not participate if they have not been personally involved previously and prefer to carry out the Planning role.
Burnley	X		Burnley Borough Council has no restrictions.
Leeds	X		Leeds City Council's Codes and Protocols section of its Constitution sets out guidelines, as follows:- "There is no Constitutional or legal reason why an Executive Board member should not also be a member of the Plans Panel and take part in the decision making processes which are not part of the executive function. <ul style="list-style-type: none"> <li>▪ be aware that you should not speak or vote on any matter which you have discussed at Executive Board unless you have demonstrated there and can do so at Plans Panel that you have not predetermined the application.</li> <li>• do not take part in any meeting of the Plans Panel on a matter in which you may have been seen as advocating a proposal as an Executive or Deputy Executive Member."</li> </ul>

**Extract from : New Council Constitutions: Guidance to English Authorities, with the relevant text highlighted.**

**This guidance is referred to the response from West Lancashire in Appendix 1. It was issued by the Office of the Deputy Prime Minister (ODPM) on 26<sup>th</sup> October 2000.**

### **Development control**

5.16 The Development Plan will form part of the local authority's policy framework described in chapter 2 of this guidance. The executive will be responsible for formulating the Development Plan in accordance with the Town and Country Planning (Development Plan) Regulations 1999. The different types and forms of Development Plan are set out in Planning Policy Guidance Note 12 Development Plans, together with guidance on their preparation. chapter 2 provides further guidance on the process of preparing and adopting the Development Plan.

5.17 By virtue of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, development control decisions will not be the responsibility of the executive. Therefore implementation of the Development Plan through development control will continue to be exercised under delegations from the local authority in accordance with section 101 of the 1972 Act although some residual planning functions such as preparation of supplementary planning guidance, designation of conservation areas, areas of archaeological interest and nature reserves, removal of permitted development rights through Article 4 Directions and making compulsory purchase orders will be the responsibility of the executive.

5.18 The Secretary of State considers that full exchange of information between the executive and any committee which takes development control decisions is essential. The executive will need to ensure that there is effective two-way communication between them and any such committee and should consult any such committee on successive drafts of the Development Plan while policy is being formulated. In addition, local authorities should consider including a member of the executive, if possible with responsibility for the Development Plan, on one or more committees which take development control decisions although she or he should not normally be the chair.

5.19 In addition, the powers to require information as to interests into land in section 330 of the Town and Country Planning Act 1990 and section 16 of the Local Government (Miscellaneous Provisions) Act 1976 are specified in Schedule 2 to the Regulations as a local choice function.

5.20 Using the powers in section 13(4) and 13(5) of the Act a local authority's executive arrangements should provide that these functions to require information as to interests into land are not to be the responsibility of the executive except to the extent that it is necessary to exercise these powers in respect of actions which are preliminary to the exercise of powers to make compulsory purchase orders.

**AUDIT COMMITTEE****Statement of Accounts 2007/08  
24 September 2008****Report of Head of Financial Services****PURPOSE OF REPORT**

This report updates Members on the outcome of the audit of the Statement of Accounts for 2007/08.

**This report is public.**

**RECOMMENDATIONS**

- (1) That the Committee notes the report for 2007/08 issued by the Council's External Auditors, 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 25 June the draft Statement of Accounts for 2007/08 were presented for approval, together with information on the audit process. The Council's External Auditors commenced the audit of accounts on Monday 21 July.
- 1.2 The audit is now substantially complete and the Auditor is currently producing a report for Members' consideration (i.e. "to those charged with governance"). This will be circulated as soon as it has been received.
- 1.3 The Auditor will also be attending the meeting to present the report but in summary, the main conclusions are expected to be as follows:
- It is anticipated that an unqualified opinion on the 2007/08 Accounts will be issued. A small number of minor adjustments will need to be 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 Auditor will complete the statements and conclude the audit, in order that the final audited Accounts can be published by the deadline of 30 September.

<p><b>CONCLUSION OF IMPACT ASSESSMENT</b>  <b>(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b></p> <p>No implications directly arising.</p>	
<p><b>FINANCIAL IMPLICATIONS</b></p> <p>There are no financial implications directly arising.</p>	
<p><b>DEPUTY SECTION 151 OFFICER'S COMMENTS</b></p> <p>This report was prepared by the s151 officer as part of her responsibilities.</p>	
<p><b>LEGAL IMPLICATIONS</b></p> <p>Legal Services have been consulted and have no comments to add, subject to receiving the Auditor's report.</p>	
<p><b>MONITORING OFFICER'S COMMENTS</b></p> <p>The Monitoring Officer has been consulted and has no comments to add, subject to receiving the Auditor's report.</p>	
<p><b>BACKGROUND PAPERS</b>                  Statement of Accounts 2007/08.                  Accounting and Audit Regulations 2006.</p>	<p><b>Contact Officer:</b> Nadine Muschamp  <b>Telephone:</b> 01524 582117  <b>E-mail:</b> nmuschamp@lancaster.gov.uk  <b>Ref:</b></p>

**Audit Committee**

**Results of Internal Audit Work**

**24<sup>th</sup> September 2008**

**Report of Internal Audit Manager**

**PURPOSE OF REPORT**

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

**This report is public**

**RECOMMENDATIONS**

(1) That the report is noted.

**1.0 Introduction**

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

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

**2.0 Results of Internal Audit Work to 22 August 2008**

2.1 This report covers audit work and reports issued since the last report to Committee on 25<sup>th</sup> June 2008. Summary reports are issued to Members for consideration and are also posted on the Council's Intranet.

2.2 If there are any specific questions about a report, or more detailed information is required, it would be helpful if Members could contact the Internal Audit Manager on telephone number 582028 or email [dwhiteway@lancaster.gov.uk](mailto:dwhiteway@lancaster.gov.uk) prior to the meeting.

2.3 The list below gives the assurance opinion issued for areas audited since the June 2008 meeting under the revised reporting processes, with the 'Headline Messages' arising from these audits set out in § 3.0.

Audit Title		Report Date	Assurance Level	
<b>New Audit Reports</b>				
07/0710	Ordering and Payments 2007/08	02/07/08	Reasonable	✓
<b>Follow-Up Reviews</b>				
07/0696	National Non Domestic Rates (NDR)	08/08/08	Reasonable	✓

### **3.0 Matters Arising from Audit Reviews**

- 3.1 There are no audits to bring to Members attention where a “minimal” and “limited assurance” opinion has been issued.
- 3.2 The following are the ‘Headline Messages’ arising from the reports completed since the June 2008 meeting:

#### **Ordering and Payments 2007/08**

- The Authority Financials Purchasing system introduced in December 2007 has improved on previous ordering arrangements
- The new system facilitates prompt and accurate payments to creditors
- Arrangements will be enhanced through the introduction of electronic transaction logs on the use of corporate procurement cards and the recent implementation of the Electronic Document Management system relating to creditor invoices
- Work is ongoing to make best use of system audit reports to enhance overall control and to improve efficiencies through the wider use of procurement cards and payments by BACS rather by cheques

#### **National Non-Domestic Rates (Follow-up Review)**

- NNDR is well managed and the risk outstanding from the original audit is being addressed through the introduction of an interface between the Academy (NNDR) system and the General Ledger within the Authority Financials system. Control is being further enhanced through the introduction of monthly reconciliations of the two systems from September 2008 and the publication of related procedural guidance
- 3.3 The Internal Audit Manager has responded to a question from a Member of the Committee for further information in relation to the purchase of ‘standard equipment’ following the Ordering and Payments audit. The Internal Audit Manager has advised that individual Services are required to achieve ‘best value’ when purchasing goods and that arrangements are in place to ensure that the market is periodically tested through corporate tendering procedures.

### **4.0 Update on Previous Assurance Opinions**

- 4.1 Appendix A provides an updated position for all those audits where the level of assurance provided has not yet reached “reasonable”. The Internal Audit Manager will provide Committee with a verbal update on each of the audits.

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

- 5.1 Since the issue of the audit report on Partnership Arrangements (June 2008) the Principal Auditor has been heavily involved in developing the framework for the performance management and scrutiny of the Council’s major partnerships, including an exercise to identify the number and type of existing partnerships and the introduction of a Partnership Development and Evaluation Toolkit aimed at evaluating the effectiveness of individual partnerships and the Council’s involvement in them.
- 5.2 Following an Executive Decision taken by the Cabinet Portfolio Holder for Performance Management and Efficiency (implementation date 22 August 2008) the toolkit will be piloted by the Community Safety and Museums Partnerships with a view to the results being reported to a future meeting of the Budget and Performance Panel and the toolkit being used by other major partnerships later in the year.

**6.0 Details of Consultation**

6.1 Not applicable

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

7.1 Not applicable

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

None identified

**FINANCIAL IMPLICATIONS**

None directly 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 has no further comments

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

Internal Audit Files

**Contact Officer:** Derek Whiteway

**Telephone:** 01524 582028

**E-mail:** dwhiteway@lancaster.gov.uk

**Ref:** aud/audcomm/0809/240908/ROI AW

<b>AUDIT COMMITTEE</b>
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**Internal Audit Plan Update  
24 September 2008**

**Report of Internal Audit Manager**

<b>PURPOSE OF REPORT</b>
To advise Members of the latest position regarding the development and delivery of the 2008/09 Internal Audit Plan and to seek approval for a proposed schedule of potential future assurance audits.
<b>This report is public</b>

**RECOMMENDATIONS**

- (1) **That the current monitoring position is noted.**
- (2) **That the proposed schedule of potential assurance audits attached at Appendix A is endorsed.**

**1.0 Introduction**

1.1 The 2008/09 Internal Audit Plan was approved by the Audit Committee at its meeting on 25<sup>th</sup> June 2008. This report is based on monitoring undertaken up to 31<sup>st</sup> August 2008 and work done to develop potential work programmes for the remainder of the year.

**2.0 Proposal Details**

**2.1 Work In Progress brought forward as at 01 April 2008.**

Seventeen jobs from the 2007/08 plan were still in progress at 01 April 2008, of which thirteen have now been completed and reported to Members of the Committee. The remaining four jobs, relating to Markets, Procurement, Salt Ayre Sports Centre and Payroll are all due to be completed by the middle of September 2008.

**2.2 Consultation on Development of the 2008/09 Audit Plan**

In accordance with the current Internal Audit Strategy, the 2008/09 Annual Plan approved by the Committee in June set out allocations of resources to broad areas of audit activity. At that stage, the Corporate Plan had only recently been approved and Service Business Plans were nearing completion. As such, there had been limited opportunity to develop detailed plans based on the developing plans. A consultation exercise involving meetings with all Service Heads has now been completed, which has identified potential assurance audits. The resulting schedule of potential audits, prioritised according to risk considerations and the existence of other sources of assurance is attached as Appendix A to this report.

It is proposed that this schedule is used as the primary source of audit assignments for the remainder of 2008/09 under the Plan headings of "Core Management Arrangements" and "Risk Based Assurance". Following normal practice, the objectives, scope, detailed work programmes and resource allocations for each audit will be developed through initial meetings with relevant managers.

Arrangements to schedule audit work within the “Core Financial Systems” section of have been discussed with the Head of Financial Services and relevant managers. The bulk of this work will take place between October 2008 and February 2009, the final programme being determined through a review of risks within each of the following systems:

- Main Accounting
- Asset Management
- Fraud & Corruption
- Payroll
- Ordering & Payments
- Sundry Debtors
- Income Management
- Treasury Management
- Council Tax
- Housing Benefit & Council Tax Benefit
- National Non-Domestic Rates
- Housing Rents

Internal Audit work on core financial systems is specifically considered and relied on where possible by the External Auditors in their audit of the accounts. Internal Audit's work will be designed to ensure that this reliance is provided wherever possible.

### **2.3 Audit Plan – Current Position**

Pending the outcome of the consultation process, the following audits have been commenced based on previous risk assessments and through agreement with relevant Service Heads:

- Arts Development
- Land Charges
- Member Expenses and Civic Functions
- Public Health and Safety
- Street Cleansing
- Economic Development Marketing and Promotions
- Planning for Floods
- Business Continuity Planning
- Risk Management Arrangements

### **3.0 Details of Consultation**

- 3.1 The proposed schedule of potential audits for the remainder of 2008/09 has been drawn up following consultation meetings with all Service Heads and consideration by Corporate Management Team and the statutory officers.

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

- 4.1 At this point, there are no indications that the framework set out in the approved plan cannot be achieved. The options available relate to the results of the consultation exercise and the resulting schedule of potential 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 Service Heads, 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 schedule of potential assignments 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 schedule of potential assignments set out in Appendix A is endorsed as the primary source of audit work for the remainder of 2008/09. It is proposed that this schedule is reviewed and updated on a six-monthly basis through further consultation with Service Heads, Corporate Management Team and the statutory officers.

**6.0 Conclusion**

- 6.1 Endorsement of the proposed schedule of potential audits will enable the 2008/09 Audit Plan to be developed in a focused manner and establish a robust base for future planning exercises.

<p><b>CONCLUSION OF IMPACT ASSESSMENT</b>  <b>(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b></p> <p>Not applicable</p>	
<p><b>FINANCIAL IMPLICATIONS</b></p> <p>None arising from this report</p>	
<p><b>SECTION 151 OFFICER'S COMMENTS</b></p> <p>The Section 151 Officer has been consulted and has no further comments</p>	
<p><b>LEGAL IMPLICATIONS</b></p> <p>None arising from this report</p>	
<p><b>MONITORING OFFICER'S COMMENTS</b></p> <p>The Monitoring Officer has been consulted and has no further comments</p>	
<p><b>BACKGROUND PAPERS</b></p> <p>Internal Audit Plan 2008/09</p>	<p><b>Contact Officer:</b> Derek Whiteway  <b>Telephone:</b> 01524 582028  <b>E-mail:</b> dwhiteway@lancaster.gov.uk  <b>Ref:</b> aud/comm/audit/080924</p>

**Internal Audit Plan 2008/09**

**Potential Assurance Audits identified through Service Head consultations**

Note: In the following table, potential audits have been identified through meetings with Service Heads and the lists includes area of development which are to be kept under review, where assurance may be required at some future date.

Where a preferred timing of the audit has been identified, this is shown in the “Scheduling/Comments” column.

In assessing the relative priority of assignments, the following characteristics have been used as a guide:

<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
<ul style="list-style-type: none"> <li>○ Key contribution to corporate priorities</li> <li>○ Key element in Corporate Governance/Internal Control</li> <li>○ High levels of risk involved</li> <li>○ Alternative sources of assurance are limited</li> </ul>	<ul style="list-style-type: none"> <li>○ Significant contribution to corporate priorities</li> <li>○ Significant element in Corporate Governance/Internal Control</li> <li>○ Significant levels of risk involved</li> <li>○ Alternative sources of assurance are limited</li> </ul>	<ul style="list-style-type: none"> <li>○ Minor contribution to corporate priorities</li> <li>○ Not a significant element in Corporate Governance/Internal Control</li> <li>○ Low levels of risk involved</li> <li>○ Alternative sources of assurance exist</li> </ul> <p>OR Not currently relevant, but to be reviewed for future coverage</p>



A. Corporate Arrangements				
Area	Scope & Objectives	Services Involved	Priority	Scheduling / Comments
Performance Management	Efficiency and effectiveness of arrangements, focusing on use of Escendency	All Services	1	
Financial Management	Review the arrangements and capacity of Services to effectively manage finances	Finance (Lead) All Services	1	
External Funding	Efficiency and effectiveness of strategic approach to seeking, securing and managing external funding.	Finance (Lead) All Services	1	
Sickness Absence Management	Efficiency and effectiveness of the SAM policy and procedures and performance management arrangements	Legal & HR (Lead) All Services	1	
Climate Change	Efficiency and effectiveness of corporate strategy for climate change	Corporate Strategy (Lead) All Services	1	
	Effectiveness of energy efficiency arrangements for municipal buildings	Property Services (Lead) All Services	1	
Children & Young People	Efficiency and effectiveness of arrangements to implement the Council's strategy and meet legislative change	Corporate Strategy (Lead) All Services	1	
Information Security	Information Security Policy compliance with British Standard and with the Government Connect Code of Connection (CoCo). Efficiency and effectiveness of arrangements for data security, data exchange and access controls.	ICS (Lead) All Services	1	

## Appendix A

A. Corporate Arrangements					
Area	Scope & Objectives	Services Involved	Priority	Scheduling / Comments	
Asset Management	Efficiency and effectiveness of financial control and management of Council assets	Finance and Property (Leads) All Services	1		
Debt Management	Efficiency and effectiveness of corporate arrangements	Finance and Legal (Leads) All Services	2		
Employee Training and Development	Efficiency and effectiveness of EDPA system	Legal & HR (Lead) All Services	2		
Project Management	Review of effectiveness of LAMP methodology.	Corporate Strategy (Lead) All Services	2		
Cross-Cutting Initiatives	Efficiency and effectiveness of approach to identifying, resourcing and managing cross-cutting programmes/initiatives.	Potentially all Services	2	Put forward as a possible alternative to audits of individual cross-cutting initiatives, e.g. Climate Change, Children & Young People	
Information Management	Efficiency and effectiveness of arrangements for managing and sharing information within the Authority and its partnerships	All Services	2		
Asset Management	Project assurance role re implementation of Technology Forge Asset Management system modules	Finance and Property	3		

<b>B. Cross-Cutting Areas</b>				
<b>Area</b>	<b>Scope &amp; Objectives</b>	<b>Services Involved</b>	<b>Priority</b>	<b>Scheduling / Comments</b>
Customer Services	Efficiency and effectiveness of performance management relating to CSC information	Services covered by CSC	1	
ERDF	Compliance with external bodies audit requirements	Econ Dev & Tourism Finance	1	Feb-Mar 2009
Parks and Playgrounds	Effectiveness of strategies and plans to maintain the District's Parks and open spaces and to improve playground provision	CC(D)S Cultural	2	
Walking and Cycling	Effectiveness of the Walking and Cycling strategies and implementation of the Cycling Demonstration Town programme	Planning & Building Control Econ Dev & Tourism	2	
Enforcement Policies	Effectiveness of corporate strategy towards enforcement.	Legal & HR (Lead) Services with enforcement roles	2	
Affordable Housing	Effectiveness of arrangements to meet planned provision of affordable housing and working arrangements with RSLs	Neighbourhood Management Taskforce Health & Strategic Housing Planning	2	
Grants to Voluntary Organisations	Efficiency and effectiveness of arrangements for making and managing grants as per Grants Task Group recommendations	Democratic (Lead)	3	Possibly more relevant for 2009/10 plan, timing to fit in with budget cycle.

<b>B. Cross-Cutting Areas</b>				
<b>Area</b>	<b>Scope &amp; Objectives</b>	<b>Services Involved</b>	<b>Priority</b>	<b>Scheduling / Comments</b>
Licensing of Caravan Sites	Efficiency and effectiveness of arrangements for licensing of and collection of Council Tax from residential, holiday and touring caravan sites	Health & Strategic Housing Planning Revenues	3	To be given further consideration in light of proposed work on corporate enforcement policies
Supporting People programme	Effectiveness of arrangements for managing Council's input to the SP programme	Council Housing Health & Strategic Housing NM Taskforce	3	To keep under review – not scheduled at present

C. Service Specific Areas				
Service	Area	Scope & Objectives	Priority	Scheduling / Comments
Property Services	Maintenance and use of municipal buildings	Efficiency and effectiveness of programme management arrangements	1	
Council Housing	Housing repairs and maintenance	Value for Money aspects of materials procurement arrangements	2	Nov-Dec 2008
Council Housing	Emergency Call Centre	Project Assurance re implementation of replacement system	2	
Democratic Services	Implementation and operation of the Mod.Gov system	Efficiency and effectiveness of Mod.Gov system and plans for further implementation of services/features.	2	
Democratic Services	Elections Management	Efficiency and effectiveness of arrangements to run elections, including business continuity aspects.	2	Sep-Nov 2008
Econ Dev & Tourism	Tourist Information Centres	Performance of TICs	2	
Financial Services	Treasury Management	Efficiency and effectiveness of arrangements for managing counter-party risks and for cashflow forecasting and management	2	
Health & Strategic Housing	Contaminated Land	Effectiveness of arrangements to deliver Council's responsibilities for contaminated land	2	Jan-Mar 2009
Health & Strategic	Housing Standards	Effectiveness of arrangements to	2	

## Appendix A

C. Service Specific Areas				
Service	Area	Scope & Objectives	Priority	Scheduling / Comments
Housing		provide advice, support and enforcement in the private rented sector, including plans to improve fire precautions in HMOs in South Lancaster		
Planning & Building Control	Planning Decisions and Complaints	Probity of systems and protocols for handling and making planning decisions and complaints	2	
Cultural Services	Cultural and Sports Development	Dependent on outcome of the Culture and Sport Improvement Toolkit (CSIT) development and implementation	3	To be reviewed – not before January 2009
CC(D)S	Landfill Allowance Trading Scheme	Impact of the scheme	3	To keep under review. Probably not during 2008/09
CC(D)S	Recycling and Reuse of Bulky Waste	Review of Bulky Matters model	3	To keep under review. Probably not during 2008/09
Planning & Building Control	Section 106 Agreements and the Community Infrastructure Levy	Efficiency and effectiveness of arrangements for s106 Agreements and for implementing the Infrastructure Levy	3	Timing not determined - to be kept under review