



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 21 SEPTEMBER 2011
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 29 June 2011 (previously circulated).
3. **Items of Urgent Business authorised by the Chairman**
4. **Declarations of Interest**
5. **Statement of Accounts 2010/11**
Report of Head of Financial Services (to follow)
6. **Annual Governance Review and Statement**
Report of the Chief Executive (to follow)
7. **Local Government Ombudsman - Annual Review (Pages 1 - 9)**
Report of Head of Governance
8. **Internal Audit Monitoring (Pages 10 - 15)**
Report of Internal Audit Manager
9. **Results of Internal Audit Work (Pages 16 - 23)**
Report of Internal Audit Manager

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Malcolm Thomas (Chairman), Ian Pattison (Vice-Chairman), Jon Barry, Geoff Knight, Richard Newman-Thompson, Vikki Price and Peter Williamson

(ii) Substitute Membership

Councillors Roger Dennison, Tim Hamilton-Cox, Geoff Marsland, Sylvia Rogerson, Susan Sykes and David Whitaker

(iii) Queries regarding this Agenda

Please contact Jane Glenton, Democratic Services - telephone (01524) 582068, or email jglenton@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Members' Secretary, telephone (01524) 582170, or email memberservices@lancaster.gov.uk.

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

Published on Tuesday, 13 September 2011

AUDIT COMMITTEE**Local Government Ombudsman – Annual Review
2010/11
21 September 2011****Report of Head of Governance****PURPOSE OF REPORT**

To enable Members to consider the Ombudsman's Annual Review Letter and Report for 2010/11.

This report is public

RECOMMENDATIONS

- (1) **That the Ombudsman's Annual Review letter and report for 2010/11 be noted.**

1.1 Background

The Local Government Ombudsman's (LGO) 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 promoting fair and effective administration in Local Government.

For administrative purposes the country is divided into three broad geographical areas, and the Ombudsman has offices in London, Coventry and York.

The Local Government Ombudsman has recently published its Annual Report for 2010/11, which is an overview of its work nationally and which, together with national statistics about complaints, is available on its website <http://www.lgo.org.uk>. In addition, for each council it has published an annual review letter and report, and those relating to this Council are appended to this report.

1.2 Key Issues in 2010/2011

The Local Government Ombudsman has changed the way it communicates decisions and reasons. It now provides a stand-alone statement of reasons for every decision to both the complainant and the council. These statements replace the former practice of communicating decisions by letter to the complainant with a copy to the council. The Ombudsman's power has been extended to include dealing with adult social care complaints as well as those about schools by pupils or their parents, although these extensions do not directly affect the City Council.

(a) Performance

In 2010/11 the Ombudsmen received a total of 21, 840 complaints, compared with 18,020 in the previous year – an increase of 21.2 per cent. The highest numbers of complaints were received from the housing category, particularly in the area of housing repairs and housing allocations.

(b) Assisting Councils to Improve

In the letter to the Council, the Ombudsman reminds the Council that it continues to offer training to councils in complaints handling. In 2010/11 the Ombudsman surveyed a number of councils that had taken up the training and some that had not. Responses from councils where they had provided training revealed that:

- 90% said it had helped them to improve their complaint handling
- 68% gave examples of how the knowledge and skills gained from the training had been applied in practice
- 55% said that complaints were resolved at an earlier stage than previously
- almost 50% said that citizens who complained were more satisfied

(c) Website

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

1.3. Complaints against Lancaster City Council

The purpose of the Annual Review 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 review 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.

The report provides a summary of enquiries and complaints received by the LGO team and those forwarded to the Investigation Team. A total of 28 cases were received by the Ombudsman in 2010/11, and eleven of these were forwarded to the investigation team.

Members will note that there were no findings of maladministration against the Council in 2010/11. One case was resolved by local settlement. This was a complaint concerning the provision of hot water in a Council house. The boiler/hot water system was repaired by the Council, but not as quickly as it

might have been, and the Council agreed to apologise to the tenant and pay £150 in compensation.

Of the other fifteen cases in which decisions were made in 2010/11, two related to planning applications and two to planning advice. The others related to forward planning, drainage, environmental health, housing allocation, housing benefit, local taxation, contractual and business matters, land, parking, licensing and anti-social behaviour.

There was an improvement in the average number of days taken to respond to from 35.0 days in 2009/10 to 29.7 days in 2010/11 but this still remains above the 28 day limit set by the Ombudsman. The Council's Information Management Officer, who co-ordinates the Council's responses, was appointed in early 2010, the post having been vacant for some time, and it is hoped that the 2011/12 response times will show a further improvement.

2.0 Proposal Details

2.1 The Committee is asked to note the Annual Review Letter and Report.

3.0 Consultation

3.1 There has been no consultation

4.0 Options and Options Analysis (including risk assessment)

4.1 There are no options, as the report is for noting, although it would be open to the Committee to respond to the Annual Review if it so wished. Members will note that the letter contains an offer for the Ombudsman or a senior manager to meet with the Council and explain their work in greater detail if that would be helpful.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None arising from this report.</p>
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<p>LEGAL IMPLICATIONS There are no direct legal implications arising from this report.</p>

<p>FINANCIAL IMPLICATIONS There are no direct financial implications arising from this report.</p>

<p>OTHER RESOURCE IMPLICATIONS Human Resources: None Information Services: None Property: None Open Spaces: None</p>

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no comments to add.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

1. Local Government Ombudsman Annual Local Authority Report – Lancaster City Council 2010/11
2. Local Government Ombudsman Annual Review Letter 2010/11

Contact Officer: Rosebella Kotonya

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Ref:

Local Government
OMBUDSMAN

24 June 2011

Mr M Cullinan
Chief Executive
Lancaster City Council
Town Hall
Dalton Square
LANCASTER
LA1 1PJ

Dear Mr Cullinan

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to me about your authority for the year ending 31 March 2011. I hope the information set out in the enclosed tables will be useful to you.

The statistics include the number of enquiries and complaints received by our Advice Team, the number that the Advice Team forwarded to my office and decisions made on complaints about your council. Not all complaints are decided in the same year that they are received. This means that the number of complaints received and the number decided will be different.

The statistics also show the time taken by your authority to respond to written enquiries and the average response times by type of authority.

Communicating decisions

We want our work to be transparent and our decisions to be clear and comprehensible. During the past year we changed the way we communicate our decisions and reasons. We now provide a stand-alone statement of reasons for every decision we make to both the citizen who has complained and to the council. These statements replace our former practice of communicating decisions by letter to citizens that are copied to councils. We hope this change has been beneficial and welcome comments on this or any other aspect of our work.

In April 2011 we introduced a new IT system for case management and revised the brief descriptions of our decisions. My next annual letter will use the different decision descriptions that are intended to give a more precise representation of complaint outcomes and also add further transparency to our work.

Beverley House
17 Shipton Road
York
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Anne Seex
Local Government Ombudsman
Michael King
Deputy Ombudsman

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Mr M Cullinan

Extended powers

During 2010/11 our powers were extended to deal with complaints in two significant areas.

In October 2010 all complaints about injustice connected to adult social care services came under our jurisdiction. The greater use of direct payments and personalised budgets mean that it is particularly important for us to be able to deal with such complaints irrespective of whether a council has arranged the care. The increasing number of people who arrange and pay for their own social care now have the right to an independent and impartial examination of any complaints and concerns they may have about their care provider.

In the six months to April 2011 we received 75 complaints under our new adult social care powers. Between 2009/10 and 2010/11 complaints about care arranged or funded by councils doubled from 657 to 1,351.

The Apprenticeships, Skills, Children & Learning Act 2009 introduced powers for us to deal with complaints about schools by pupils or their parents. This was to be introduced in phases and currently applies in 14 council areas. By the end of 2010/11 we had received 169 complaints about schools in those areas and 183 about schools in other areas where we had no power to investigate. The Education Bill currently before Parliament proposes to rescind our new jurisdiction from July 2012.

Our new powers coincided with the introduction of Treasury controls on expenditure by government departments and sponsored bodies designed to reduce the public spending deficit. This has constrained our ability to inform care service users, pupils and their parents of their new rights.

Assisting councils to improve

For many years we have made our experience and expertise available to councils by offering training in complaint handling. We regard supporting good complaint handling in councils as an important part of our work. During 2010/11 we surveyed a number of councils that had taken up the training and some that had not. Responses from councils where we had provided training were encouraging:

- 90% said it had helped them to improve their complaint handling
- 68% gave examples of how the knowledge and skills gained from the training had been applied in practice
- 55% said that complaints were resolved at an earlier stage than previously
- almost 50% said that citizens who complained were more satisfied.

These findings will inform how we develop and provide training in the future. For example, the survey identified that councils are interested in short complaint handling modules and e-learning.

Details of training opportunities are on our web site at www.lgo.org.uk/training-councils/

More details of our work over the year will be included in the 2010/11 Annual Report. This will be published on our website at the same time as the annual review letters for all councils (14 July).

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Mr M Cullinan

If it would be helpful to your Council I should be pleased to arrange for me or a senior manager to meet and explain our work in greater detail.

Yours sincerely

A handwritten signature in black ink that reads "Anne Seex". The signature is written in a cursive, slightly slanted style.

Anne Seex
Local Government Ombudsman

For information on interpretation of statistics click on this link to go to www.lgo.org.uk/CouncilsPerformance

LGO Advice Team

Enquiries and complaints received	Benefits & Tax	Corporate & Other Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Other	Planning & Development	Total
Formal/informal premature complaints	1	0	0	0	2	0	4	7
Advice given	1	1	0	1	0	1	1	5
Forwarded in investigative team (resubmitted)	1	1	3	0	0	0	0	5
Forwarded to investigative team (new)	2	1	1	0	2	0	5	11
Total	5	3	4	1	4	1	10	28

Investigative Team

Decisions	Reports: maladministration and injustice	Local settlements (no report)	Reports: Maladministration no injustice	Reports: no Maladministration	No Maladministration (no report)	Ombudsman's discretion (no report)	Outside jurisdiction	Total
2010 / 2011	0	1	0	0	4	9	2	16

No adult social care decisions were made in the period

Provisional comparative response times 01/04/2010 to 31/03/20 11

Response times	First enquiries	
	No of first Enquiries	Avg no of days to respond
01/04/2010 / 31/03/2011	6	29.7
2009 / 2010	5	35.0
2008 / 2009	6	24.2

Types of authority	<= 28 days %	29 - 35 days %	> = 36 days %
District councils	65	23	12
Unitary authorities	59	28	13
Metropolitan authorities	64	19	17
County councils	66	17	17
London boroughs	64	30	6
National parks authorities	75	25	0

AUDIT COMMITTEE**Internal Audit Monitoring
21 September 2011****Report of Internal Audit Manager****PURPOSE OF REPORT**

To advise Members of the latest monitoring position regarding the 2010/11 Internal Audit Plan and to seek Members' approval for a change to the plan and endorsement of a future schedule of audit work.

This report is public

RECOMMENDATIONS

- (1) That the current monitoring position is noted.
- (2) That the proposed change to the 2011/12 internal audit plan set out in paragraph 2.3 is approved.
- (2) That the schedule of potential audits for the remainder of 2011/12 as set out in paragraph 2.6 is approved.

1.0 Introduction

- 1.1 The 2011/12 Internal Audit Plan was approved by the Audit Committee at its meeting on 29th June 2011. This report is based on the monitoring position up to 31st August 2011.

2.0 Report**Monitoring Position as at 31st August 2011**

- 2.1 A detailed monitoring report as at 31st August is attached as Appendix A. In summary, the position as that date was as shown in the following table.

Area of work	Resources (audit days)					
	Actuals to 31/08/11	Remaining	Committed	Original Plan	Variance	Proposed Plan
Assurance Work						
Core Financial Systems	65	17	82	50	-32	82
Revenues & Benefits Shared Services	44	48	92	85	-7	92
Core Management Arrangements	8	1	9	110	101	81
Risk Based Assurance Audits	75	15	90	105	15	105
Follow-Up Reviews	15	55	70	70	0	70
Sub-Total, Assurance	207	136	343	420	77	430
Consultancy Work						
Support Work	14	10	24	30	6	30
Efficiency & VfM	0	30	30	30	0	30
Ad-Hoc Advice	15	40	55	65	10	65
Sub-Total, Consultancy	29	80	109	125	16	125
Other Work						
Other Duties (Non-Audit)	4	8	12	15	3	15
Audit Management	23	32	55	55	0	55
Sub-Total, Other Work	27	40	67	70	3	70
Contingencies						
Investigations	9	0	9	30	21	30
General Contingency	0	0	0	40	40	40
Sub-Total, Contingencies	9	0	9	70	61	70
Total	272	256	528	685	157	695

- 2.2 The monitoring position takes account of ongoing and planned work commitments. The summary shows that overall, current commitments total 528 days compared with the original plan of 685 days. It is now estimated that 695 days can be delivered, which gives an uncommitted resource of 167 days. This includes the general contingency of 40 days and a balance of 21 days set as contingency for investigation work.
- 2.3 Within the main programme of assurance work, the audits of core financial systems and, to a lesser extent, the Revenues and Benefits Shared Service have exceeded the original plan. This reflects the additional work required in a new approach to these audits and a wider than normal programme, covering all significant systems in this year. It is proposed to meet the shortfall in these areas from the additional 10 days deliverable with the balance (29 days) by re-directing resources from the "Core Management Arrangements" section of the assurance programme. This is reflected under the "Proposed Plan" column of the table and the Committee is asked to approve this change.
- 2.4 Otherwise, the current position with the plan does not show any particular pressures developing. At this point in the year, it is considered prudent to maintain the existing level of contingencies (both general and investigations); this leaves an available, uncommitted resource of 106 days.

2.5 The section's major work programme in the near future is concerned with audits of the Revenues and Benefits Shared Services' systems as operated by Preston City Council. This work, which will result in reports to Preston City Council's management and Audit Committee, is currently estimated to take 40 days. It is anticipated that, following this first year, efficiencies will be possible in auditing the shared service arrangements, resulting in a reduced number of audit days.

2.6 A schedule of further audits for the remainder of the year is currently being drawn up in consultation with Management Team and an update will be provided at the meeting. Potential topics identified at the time of writing are:

- Shared Services arrangements with Lancashire County Council
- Environmental Services' enforcement
- Changes in the Housing Revenue Account
- Winter maintenance arrangements
- Complaints policy and procedures

3.0 Details of Consultation

3.1 Management Team has been consulted in developing the plan.

4.0 Options and Options Analysis (including risk assessment)

4.1 The options available to the Committee are either to endorse the proposed changes to the plan and the schedule of future audits, or to propose an alternative course of action.

5.0 Conclusion

5.1 There are no significant pressures within the audit plan at present. A minor realignment of the original plan allocations is required to address additional time spent on core financial systems during the first half of the year and the programme of audits for the rest of the year continues to be developed in consultation with senior management.

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

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report
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SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

None directly arising from this report
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MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Internal Audit Plan 2011/12

Contact Officer: Derek Whiteway

Telephone: 01524 582028

E-mail: dwhiteway@lancaster.gov.uk

Ref: aud/comm/audit/1109211AMon

Internal Audit Annual Plan 2010/11 - Update at 31 August 2011

Appendix A

Work Allocations		Actuals to 31/08/11	Remaining	Committed	Approved Plan (29/06/11)	Variance	Status at 31/08/11
Job No	Title						
1. ASSURANCE WORK							
LCC Core Financial Systems							
10/0806	Treasury Management	8		8			✓
10/0809	Officer Expenses	2		2			✓
10/0810	Payroll	12	1	13			⚠
10/0812	Car Parking	6		6			✓
10/0813	Sundry Debtors	1		1			✓
10/0814	Value Added Tax	1		1			✓
10/0815	Income Tax and National Insurance	6		6			✓
10/0816	Income Management	12		12			✓
10/0817	Main Accounting	6	1	7			⚠
10/0819	Purchasing Cards	11		11			✓
	Housing Rents	0	15	15			⚠
Sub-total - Core Financial Systems		65	17	82	50	-32	
Revenues Shared Service - Financial Systems							
10/0822	NNDR (LCC)	19		19			⚠
10/0823	Council Tax (LCC)	12		12			✓
10/0824	Housing Benefit and Council Tax Benefit (LCC)	13	8	21			⚠
	NNDR (Preston CC)	0	12	12			⚠
	Council Tax (Preston CC)	0	12	12			⚠
	Housing Benefit and Council Tax Benefit (Preston CC)	0	16	16			⚠
Sub-total - Revenues Shared Services		44	48	92	85	-7	
Core Management Arrangements							
10/0787	National Fraud Initiative 2010/11	7		7			⚠
10/0827	National Fraud Initiative 2011/12	0		0			⚠
10/0797	Budgetary Control	1	1	2			⚠
Sub-total - Core Management Arrangements		8	1	9	110	101	
Risk Based Assurance Work Programme							
11/0821	RMS Partnering Contract	47	1	48			⚠
11/0826	Consultancy Commissioning and Procurement	28	2	30			⚠
	Williamson Park Financial Systems	0	12	12			⚠
Sub-total - Risk Based Assurance Work		75	15	90	105	15	
Follow-Up Reviews		15	55	70	70	0	∞
SUB-TOTAL - ASSURANCE WORK		207	136	343	420	77	

Internal Audit Annual Plan 2010/11 - Update at 31 August 2011

Appendix A

Work Allocations		Actuals to 31/08/11	Remaining	Committed	Approved Plan (29/06/11)	Variance	Status at 31/08/11
Job No	Title						
2. CONSULTANCY WORK							
Support Work (projects and other)							
10/0793	Counter Crime Policy & Strategy	10	3	13			
10/0509	RIPA Monitoring and Central Register	0	1	1			
10/0803	Annual Governance Review & Statement 2010/11	1	3	4			
10/0820	Review of Financial Regulations & CPRs	3	3	6			
Sub-total - Support Work		14	10	24	30	6	
Efficiency & Vfm							
	Mobile Phones, etc	0	30	30			
Sub-total - Efficiency & Vfm		0	30	30	30	0	
Ad-Hoc Advice		15	40	55	65	10	
SUB-TOTAL - CONSULTANCY WORK		29	80	109	125	16	
3. OTHER							
08/0392	Deputy s151 Officer Duties	4	8	12			
SUB-TOTAL - OTHER		4	8	12	15	3	
4. AUDIT MANAGEMENT							
10/0172	Committee Work	11	15	26			
10/0189	Audit Planning & Monitoring	12	17	29			
SUB-TOTAL - AUDIT MANAGEMENT		23	32	55	55	0	
5. CONTINGENCIES							
Investigations		9	0	9	30	21	
General Contingency		0	0	0	40	40	
SUB-TOTAL - CONTINGENCIES		9	0	9	70	61	
TOTALS		272	256	528	685	157	

Key: Completed In Progress Not Yet Started Continuous or Multi-Year Activity
 Carried Forward to 2012/13 Plan Abandoned

AUDIT COMMITTEE**Results of Internal Audit Work
21 September 2011****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.
- (2) That, regarding audits ref 07/0708 - Income Management (Housing Rents Direct Debit Payments), 07/0709 – Payroll, and 09/0750 – Academy/Civica Interfaces, the Internal Audit Manager continues to track and report on progress to the committee.
- (3) That, regarding audit ref 07/0679 – Markets, progress is noted and no further updates to Committee are required.

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 31st August 2011

- 2.1 This report covers audit work and reports issued since the Results of Audit Work were last reported to Committee on 11th January 2011. 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 prior to the meeting.

2.3 The list below gives the assurance opinion issued for areas audited since the last meeting.

Audit Title		Report Date	Assurance Level	
New Audit Reports				
10/0762	Regeneration and Policy Probity	21/03/11	Substantial	✓
10/0791	Corporate Learning and Development	21/03/11	Limited	⚠
10/0795	Capital Contract Management	04/04/11	Limited	⚠
10/0811	Creditors 2010/11	05/04/11	Substantial	✓
10/0813	Debtors 2010/11	19/04/11	Substantial	✓
10/0814	Value Added Tax 2010/11	19/04/11	Substantial	✓
10/0809	Officer Expenses 2010/11	31/05/11	Substantial	✓
10/0806	Treasury Management 2010/11	06/06/11	Maximum	✓✓
10/0817	Main Accounting	08/06/11	Substantial	✓
10/0819	Purchasing Cards	15/06/11	Minimal	⚠
10/0815	Income Tax and NI 2010/11	20/06/11	Maximum	✓✓
10/0787	National Fraud Initiative 2010/11	15/08/11	Maximum	✓✓
10/0816	Income Management 2010/11	16/08/11	Substantial	✓
10/0812	Car Parking 2010/11	18/08/11	Substantial	✓
10/0823	Council Tax 2010/11	31/08/11	Maximum	✓✓
Follow up Reviews				
09/0739	Creditors 2009/10	03/11/10	Substantial	✓
09/0779	Housing Rents 2009/10	28/01/11	Substantial	✓
09/0776	Payroll 2009/10	28/01/11	Limited	⚠
08/0753	Williamson Park Financial Procedures	25/02/11	Limited	⚠
09/0759	Housing Standards	09/03/11	Limited	⚠
09/0730	Climate Change	26/04/11	N/A	
10/0813	Sundry Debtors	01/09/11	Substantial	✓

3.0 Matters Arising from Audit Reviews

3.1 Members' attention is drawn to the audits where a "reasonable" level of assurance has not been achieved as follows:

10/0791 – Corporate Learning and Development (Limited)

The audit concluded that the process for determining learning and development priorities needs to be reviewed with a view to ensuring that identified needs are appropriate, and effectively inform budget setting and allocations.

The Council does not currently have a comprehensive list of learning and development activities undertaken and the true cost of training cannot easily be ascertained from the Authority's financial information systems due to inconsistencies in the coding of expenditure.

The audit also concluded that corporate arrangements to share knowledge and thereby reduce the need for the external procurement of training could be improved.

Mechanisms are not in place to fully evaluate the effectiveness of learning and development activities and the extent to which these raise individual competencies and improve corporate performance. Evaluations do not inform future strategy.

The audit is scheduled for follow-up review in November 2011.

10/0795 – Capital Contract Management (Limited)

The audit looked at capital contract management arrangements across the Council. In all the cases tested, the tendering arrangements and contract awards were in accordance with Contract Procedure Rules and good practice was acknowledged in a number of areas. The audit concluded that improvements were necessary in the following:

- the maintenance of contract registers to ensure that key contract documents and dates are dealt with and to increase understanding of the contracts managed to enable improved contractor negotiations which might lead to cost savings;
- establishing and assigning contract administrator responsibilities and delegated authorities;
- the consideration of 'whole life costs' in contract award processes;
- the conduct of robust prequalification checks;
- improvements in contract management arrangements and documentation evidencing that appropriate checks and monitoring are being carried out;
- clarification of rules relating to the issue of variations to ensure that consistent information is available to contract managers;
- the provision of training for contract administrators in Financial Regulations and Procedures and Contract Procedure Rules; and
- the standardisation of contract management documentation and improved arrangements to share good practice.

A follow-up review of progress with the action plan is scheduled for October 2011.

10/0819 – Purchasing Cards (Minimal)

The audit concluded that, whilst transactions made using Council purchasing cards are generally appropriate and in line with the Purchasing Card User Guide, the system required strengthening in the following areas:

- improved filing of documentation supporting cardholders' limits;
- improved recording on the system of the description of goods purchased;
- reiteration of cardholders' responsibilities and strengthening of the card user agreement;
- cardholders' arrangements to ensure documentation supporting transactions is appropriate and readily available;
- VAT recording arrangements to ensure the Authority can maximise the amount of VAT reclaimed;
- storage and retrieval of electronically held invoices; and
- consistency on what constitutes valid expenditure.

The audit also identified that in some areas and with certain suppliers, there is scope to improve efficiency through reviewing existing payment arrangements.

A follow-up review of progress with the action plan is scheduled for September 2011.

09/0776 – Payroll 2009/10 Follow-Up Review (Limited)

The audit concluded that, whilst significant improvements had been made to enhance the accuracy and consistency of the Establishment Book, an inherent risk of error remains in the current manual system. This is an issue identified in previous audits and is due to be addressed in the procurement of a replacement payroll system.

An update on progress with procuring a replacement payroll system is given in Appendix A under job number 07/0709 – Payroll.

08/0753 – Williamson Park Financial Procedures Follow Up Review (Limited)

A brief follow-up review was undertaken in February 2011. This did not go into great depth as the Park was in a transitional period bringing operations back under City Council responsibility and control. The review did identify that attention was needed to:

- establish arrangements for future purchases of low value items as the petty cash facility is to be withdrawn across the council;
- bring ordering, receiving and payment arrangements in line with council policy; and
- identify and address training needs following the transfer over to council systems.

A new and more in-depth audit review, including progress on these issues, is to be undertaken in the second half of the year.

09/0759 – Housing Standards Follow Up Review (Limited)

The follow-up review concluded that, although good progress had been made to implement the agreed actions, the level of assurance should remain at “limited” as a comprehensive housing strategy for the district is still required. It is evident that work is ongoing to develop this strategy, ensuring that it is based on up-to-date data and with all relevant services feeding into its development. We are therefore satisfied that a 'substantial' level of assurance will be achieved once this strategy is in place (currently due by December 2011).

4.0 Update on Previous Assurance Opinions

- 4.1 Appendix A provides the updated position and recommendations for further action for all previously reported audits where the level of assurance has not yet reached “substantial”.

5.0 Details of Consultation

- 5.1 Not applicable

6.0 Options and Options Analysis (including risk assessment)

- 6.1 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

None directly arising from this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS





Internal Audit Files



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Internal Audit Report		Latest Update		No of updates reported to Audit Committee	Internal Audit's opinion and recommendation
Job No & Title	Assurance Level and Date	Current Assurance Level	Comments (provided by)		
07/0708 - Income Management (Housing Rents Direct Debit Payments)	 Limited 30/04/08	 Limited	<p>At its meeting on 30 June 2010, the committee resolved: <i>“That the Audit Committee request Internal Audit to track progress with systems implementations relating to the ‘Income Management (Housing Rents Direct Debit Payment)’ audit and that this be reported to the next meeting of the committee.</i></p> <p>At the last update, action was being taken to test and implement a new release of the Anite Housing Rents software (release 45). Due to there being errors identified during testing, a decision has been taken to move to a later release (no 47). It is planned that successful implementation will enable the direct debits module to be operational in time for the 2012/13 financial year.</p>	9	<p>The update indicates a further delay in resolving the control issues identified in the original audit in April 2008.</p> <p>Recommendation: that the Internal Audit Manager continues to track and report on progress to the committee.</p>
07/0709 - Payroll	 Limited 04/12/08	 Limited	<p>At its meeting on 30 June 2010, the committee resolved: <i>“That the Audit Committee request Internal Audit to track progress with the Payroll/HR system project and that this be reported to a future meeting of the committee.”</i></p> <p>Officers have been evaluating options for procuring a payroll and HR solution through the strategic partnership being implemented by Lancashire County Council. There are no definite conclusions to report at this stage but a verbal update will be given at the meeting.</p>	5	<p>Recommendation: that the Internal Audit Manager continues to track and report on progress to the committee.</p>

Internal Audit Report		Latest Update		No of updates reported to Audit Committee	Internal Audit's opinion and recommendation
Job No & Title	Assurance Level and Date	Current Assurance Level	Comments (provided by)		
07/0679 - Markets	 Limited 09/02/09	 Substantial	<p>At its meeting on 20 January 2010, the committee resolved <i>“That Audit Committee wishes to increase the amount of non cash payments in the Charter Market, the Festival market and the Assembly Rooms, and that a report be presented to the next Audit Committee as to the progress on this policy and the areas in which it can be applied.”</i></p> <p>The latest position, with effect from 1st June 2011 is:</p> <p>Morecambe Market</p> <ol style="list-style-type: none"> 1 New monthly invoicing arrangements have been introduced and invoicing will be quarterly from October 1st. 2 Chip & Pin has been installed, enabling card payments to be taken for invoices. 3 Cash & cheque payments will be made at Post Offices etc by stall holders and not to the Market Office. 4 Securicor arrangements have been cancelled. <p>Lancaster Markets</p> <ol style="list-style-type: none"> 1 Invoicing arrangements are unchanged at present. 2 Mobile pdq has been provided to collect card payments for rents from the Charter Market and Assembly Rooms. 3 Securicor arrangements have been cancelled and cash collected is now banked at the post office. 	4	<p>Invoicing and payment collection arrangements introduced from 1st June 2011 have gone a long way to meeting the committee's resolution and the council's income collection policy expectations, though continued effort is needed if the Council is to increase the proportion of rents collected by card from the Charter Market.</p> <p>It is Internal Audit's view that these developments are sufficient to raise the assurance level to “substantial”.</p> <p>Recommendation: That the progress is noted and that no further updates to Committee are required.</p>

Internal Audit Report		Latest Update		No of updates reported to Audit Committee	Internal Audit's opinion and recommendation
Job No & Title	Assurance Level and Date	Current Assurance Level	Comments (provided by)		
09/0750 – Academy/Civica Interfaces	 Limited 25/06/10	 Limited	The assurance opinion issued in June 2010 was “limited” because of problems being experienced with feeder systems from the Council Tax and NNDR systems to the General Ledger (GL). The feeders populate the GL control accounts, which help prove the year end figures. Whilst the problems do not in themselves affect the accurate completion of the accounting records, they do remain a technical issue and operational inefficiency.	2	Recommendation: That the Internal Audit Manager continues to monitor and report on progress with resolving the system issues identified.
07/0764 – Council Housing Repair & Maintenance Section	 Minimal 22/01/10	 Limited 10/12/10	A further follow-up review is due to be undertaken following completion of an audit currently considering a Council partnering contract for delivery of the RMS external refurbishment capital programme.	2	The results of the further follow-up review will be reported to Audit Committee in the normal way.