

MEMBERS INTERESTS 2012

A Member with a disclosable pecuniary interest in any matter considered at a meeting must disclose the interest to the meeting at which they are present, except where it has been entered on the Register.

A Member with a non pecuniary or pecuniary interest in any business of the Council must disclose the existence and nature of that interest at commencement of consideration or when the interest becomes apparent.

Where sensitive information relating to an interest is not registered in the register, you must indicate that you have an interest, but need not disclose the sensitive information.

Please tick relevant boxes

Notes

	General		
1.	I have a disclosable pecuniary interest.	<input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 below</i>
2.	I have a non-pecuniary interest.	<input type="checkbox"/>	<i>You may speak and vote</i>
3.	I have a pecuniary interest because it affects my financial position or the financial position of a person or body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest or it relates to the determining of any approval consent, licence, permission or registration in relation to me or any person or body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest	<input type="checkbox"/> <input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i> <i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i>
4.	I have a disclosable pecuniary interest (Dispensation 16/7/12) or a pecuniary interest but it relates to the functions of my Council in respect of: (i) Housing where I am a tenant of the Council, and those functions do not relate particularly to my tenancy or lease. (ii) school meals, or school transport and travelling expenses where I am a parent or guardian of a child in full time education, or are a parent governor of a school, and it does not relate particularly to the school which the child attends. (iii) Statutory sick pay where I am in receipt or entitled to receipt of such pay. (iv) An allowance, payment or indemnity given to Members (v) Any ceremonial honour given to Members (vi) Setting Council tax or a precept under the LGFA 1992	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<i>You may speak and vote</i> <i>You may speak and vote</i>
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 20/2/13 – 19/2/17)	<input type="checkbox"/>	<i>See the terms of the dispensation</i>
6.	I have a pecuniary interest in the business but I can attend to make representations, answer questions or give evidence as the public are also allowed to attend the meeting for the same purpose	<input type="checkbox"/>	<i>You may speak but must leave the room once you have finished and cannot vote</i>

'disclosable pecuniary interest' (DPI) means an interest of a description specified below which is your interest, your spouse's or civil partner's or the interest of somebody who you are living with as a husband or wife, or as if you were civil partners and you are aware that that other person has the interest.

Interest

Prescribed description

Employment, office, trade, profession or vocation

Any employment, office, trade, profession or vocation carried on for profit or gain.

Sponsorship

Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.

	This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

"body in which the relevant person has a beneficial interest" means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest; "director" includes a member of the committee of management of an industrial and provident society;

"land" excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income; "M" means a member of a relevant authority;

"member" includes a co-opted member; "relevant authority" means the authority of which M is a member;

"relevant period" means the period of 12 months ending with the day on which M gives notice to the Monitoring Officer of a DPI;

"relevant person" means M or M's spouse or civil partner, a person with whom M is living as husband or wife or a person with whom M is living as if they were civil partners;

"securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

'non pecuniary interest' means interests falling within the following descriptions:

- 10.1(1)(i) Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- (ii) Any body (a) exercising functions of a public nature; (b) directed to charitable purposes; or (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union), of which you are a member or in a position of general control or management;
- (iii) Any easement, servitude, interest or right in or over land which does not carry with it a right for you (alone or jointly with another) to occupy the land or to receive income.
- 10.2(2) A decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a connected person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision.

'a connected person' means

- (a) a member of your family or any person with whom you have a close association, or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph 10.1(1)(i) or (ii).

'body exercising functions of a public nature' means

Regional and local development agencies, other government agencies, other Councils, public health bodies, council-owned companies exercising public functions, arms length management organisations carrying out housing functions on behalf of your authority, school governing bodies.

A Member with a personal interest who has made an executive decision in relation to that matter must ensure any written statement of that decision records the existence and nature of that interest.

NB Section 21(13) of the LGA 2000 overrides any Code provisions to oblige an executive member to attend an overview and scrutiny meeting to answer questions.

AUDIT AND GOVERNANCE COMMITTEE

HELD: 26 MARCH 2013
Start: 7.00pm
Finish: 7.50pm

PRESENT:

Councillor E Pope (Chairman)
M Forshaw (Vice-Chairman)

Councillors A Cheetham G Jones
C Dereli R A Pendleton
Y Gagen N Pryce-Roberts
I Grant D Westley

Officers Borough Treasurer (Mr M Taylor)
Borough Solicitor (Mr T Broderick)
Audit Manager (Mr M Coysh)
Assistant Member Services Manager (Mrs J Denning)

In attendance: Ms K Murray (Grant Thornton)
Mr P Thompson (Grant Thornton)

34. APOLOGIES

An apology for absence was received on behalf of Councillor G Hodson.

35. MEMBERSHIP OF THE COMMITTEE

There were no changes to the Membership.

36. DECLARATIONS OF INTEREST

There were no declarations.

37. MINUTES

RESOLVED: That the minutes of the meeting of the Committee held on 29 January 2013, be received as a correct record and signed by the Chairman.

38. GRANT THORNTON CERTIFICATION WORK REPORT 2011/12

Consideration was given to the report of the Borough Treasurer, as contained on pages 315 to 328 of the Book of Reports, which presented the External Auditor's findings from their certification of 2011/12 claims and returns.

Comments and questions were raised in respect of the following:

- Delays in providing information for one claim.
- That two of the recommendations from the External Auditor had been completed and the third would be completed in due course.
- That there had been no change in audit procedures, internal or external, in respect of One Connect.

RESOLVED: That the findings be noted.

39. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Consideration was given to the report of the Borough Treasurer, as contained on pages 329 to 332 of the Book of Reports, which advised of changes to the Standards applying to internal audit in the UK public sector.

RESOLVED: That the changes to Standards be noted.

40. LOCAL CODE OF GOVERNANCE 2013

Consideration was given to the report of the Borough Treasurer, as contained on pages 333 to 344 of the Book of Reports, which detailed the results of the annual review of the Council's Local Code of Governance for 2013/14.

Comments and questions were raised in respect of the following:

- Decisions taken under delegated authority.
- The effectiveness of Overview and Scrutiny procedures.

RESOLVED: That the Local Code of Governance for 2013/14, attached at Appendix 1 to the report, be approved.

41. INTERNAL AUDIT ACTIVITY TO MARCH 2013

Consideration was given to the report of the Borough Treasurer, as contained on pages 345 to 348 of the Book of Reports, which reported progress against the 2012/13 Audit Plan.

RESOLVED: That progress in the year to date be noted.

42. INTERNAL AUDIT PLAN 2013/14

Consideration was given to the report of the Borough Treasurer, as contained on pages 349 to 354 of the Book of Reports, which provided details on the background to the preparation of the 2013/14 Internal Audit Plan and presented it for approval.

Comments and questions were raised in respect of the following:

- Programming of audit of those areas that have over ran from the previous year.
- Availability of information on Contracts over £50,000 on the Council's website and monitoring of contracts by the Management Team.
- That the staffing issue previously raised had been addressed in the plan.

RESOLVED: That the Internal Audit Plan, attached as an Appendix, be approved.

43. REGULATION OF INVESTIGATORY POWERS ACT QUARTERLY MONITORING OF USE OF POWERS

The Borough Solicitor advised that there were no authorisations to report in respect of the use of the Regulation of Investigatory Powers Act 2000 (RIPA).

Comments and questions were raised in respect of:

- Reasons behind the lack of requests for authorisations.
- The two yearly monitoring by the Inspector.

RESOLVED: That the update in respect of the Council's RIPA activity, be noted.

44. WORK PROGRAMME

Consideration was given to the Committee's programme of work, as contained on page 355 of the Book of Reports.

RESOLVED: That the Work Programme be approved and ideas for the training session on 25 March 2014 be forwarded to the Chairman, Councillor Pope.

THE CHAIRMAN



AGENDA ITEM: 5

**AUDIT AND GOVERNANCE COMMITTEE:
25 June 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr M.Coysh (Extn. 2603)
(E-mail: mike.coysh@westlancs.gov.uk)**

SUBJECT: INTERNAL AUDIT ANNUAL REPORT 2012/13

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To present the Internal Audit Annual Report 2012/13 and the Audit Manager's opinion on the control environment.

2.0 RECOMMENDATION

2.1 That the Internal Audit Annual Report be noted.

3.0 BACKGROUND

3.1 The work covered by this report was carried out in accordance with the Standards embodied in the Chartered Institute of Public Finance and Accountancy "Code of Practice for Internal Audit in Local Government in the United Kingdom" which requires the Head of Internal Audit to present a written report to those charged with governance annually. Consideration of the report is included in this Committee's Terms of Reference.

3.2 The report identifies any issues which the Audit Manager judges to be particularly relevant to Member's consideration of the Annual Governance Statement which appears as a separate item on this agenda.

4.0 SUMMARY OF FINDINGS

- 4.1 The Internal Audit Annual Report is attached as Appendix 1, and concludes that West Lancashire Borough Council's risk management systems and framework of internal control are adequate and operating effectively to achieve the Council's overall objectives.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 6.1 All the activity referred to in this report is funded from existing budget provision.

7.0 RISK ASSESSMENT

- 7.1 There is a statutory requirement for the Council to maintain an adequate and effective system of internal audit. The conclusion to the report contains the Audit Manager's Opinion on the Council's control environment. Internal Audit activity is a key element of assurance to this Committee that risks are being properly managed so as to increase the likelihood that the Council will achieve its overall objectives.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. Internal Audit Annual Report 2012/13

West Lancashire Borough Council

Internal Audit Annual Report

2012 – 2013

1.0 INTRODUCTION

The Council is required by the Accounts and Audit Regulations 2011 to undertake an internal audit of its accounting records and of its system of internal control in accordance with proper practices.

For 2012/13 proper practices were those defined in The CIPFA Code of Practice for Internal Audit in Local Government. This requires the Head of Internal Audit to present a written report to those charged with governance.

The primary purposes of this report are to present the Audit Manager's opinion on the overall adequacy and effectiveness of the Council's internal control framework, to provide a summary of internal audit activity from which that opinion is derived and comment on performance against the plan for the year. This report also identifies any matters which have affected compliance with auditing standards and draws attention to any significant audit findings which may inform the Annual Governance Statement.

The Annual Internal Audit Plan approved annually by this Committee is constructed in accordance with relevant professional standards to enable the Internal Audit Service to discharge these requirements.

Internal Audit's work evaluates the effectiveness of the control environment in securing the Council's objectives. It also examines and reports on its adequacy as a means of ensuring that the Council fulfils its responsibility to conduct its business in accordance with the law and proper standards and in such a way that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

2.0 INTERNAL AUDIT ACTIVITY IN 2012/13

The assignments set out in the annual Internal Audit Plan are the primary source of assurance on which the Audit Manager's Opinion is based.

The 2012/13 Internal Audit Plan was substantially completed in the year and sufficient coverage was achieved to enable the Internal Audit Manager to provide his opinion on the control environment.

3.0 COMMENTARY ON ASSURANCE WORK FROM THE 2012/13 INTERNAL AUDIT PLAN

Annual Governance Statement

Internal Audit work supports the Annual Governance Statement presented elsewhere on this agenda and time is included in the plan for a review of audit findings and other sources of assurance to support its preparation and review the final draft of the document.

Shared Services

The framework for the overall management of services secured through the shared service arrangement with LCC/OCL has evolved during the year. During the settling in period Internal audit has maintained communication with the Transformation Manager in relation to governance arrangements and emerging developments separately from the work it does on the individual systems delivered under the contract.

MSR and OR implementation

The Council's Business Plan recognises the Major Service Review process and Organisational Re-engineering are essential tools in helping to deliver savings and efficiencies for the authority in a planned and co-ordinated way. Both these processes result in changes to systems and internal audit needs to keep these under review to ensure that controls are maintained as changes occur.

Data Management

In line with with the Information Commissioner's Office (ICO) advice and as part of a voluntary undertaking to the ICO the Council reviewed its data management arrangements. This work included an audit of data protection processes in a sample of services. The audit identified that corporate policy was not being consistently applied and a range of areas for development were identified.

The resulting recommendations to secure improvements were incorporated into the action plan developed in the context of the wider initiatives relating to data management which are specifically identified in the Annual Governance Statement elsewhere on this agenda. The AGS reports that the actions identified have now been substantially completed and that satisfactory levels of compliance with ICO requirements are being consistently achieved. The 2013/14 Internal Audit Plan makes provision for a follow up exercise to review current practises and to assess the impact of the Council's recent implementation of the Senior Information Risk Owner model recommended by the ICO and the DCLG.

ICT

The Council's ICT requirements are now secured through arrangements with Lancashire County Council and One Connect Limited. This has brought in extra resources for ICT investment and has secured a range of other advantages for the Council. This represents a major change in approach and many of the Council's services are heavily dependent on ICT systems for delivery. Internal audit have monitored the roll out of these arrangements and are currently working with the Transformation Manager to readdress the risk assessment for these areas of operation in consultation other interested parties.

Matrix

The Matrix system is used to secure the services of agency workers as and when required. It incorporates a variety of operational controls, and payments under the contract are processed through the system. Some dilution of the separation of duties built into the manual system which preceded it were noted and steps are being taken to address these issues.

Human Resources

Internal audit have worked closely with H.R. on a number of issues in the year such as the arrangements for the “legacy” documentation from the old payroll service and validation of the arrangements for the calculation of sickness statistics in the new payroll system.

Performance Management

The Council’s performance is monitored through quarterly updates to Cabinet on a range of indicators and in addition to this the Council reports publicly annually on a suite of indicators and provides data to various government departments. Performance indicators are no longer prescribed by central government. The Council has a Data Quality Protocol which sets out its approach to data quality.

The purpose of the audit is to provide assurance that the arrangements for the collection and calculation of this data comply with the Data Quality Protocol and are proportional to risks associated with inaccuracies. The majority of the indicators examined met the principles of the Data Quality Protocol with amendments agreed in the case of a number of indicators and definitions. These areas will be re-examined in 2013/14.

Corporate Health and Safety

The management of health and safety within the authority was examined, including the role of managers, employees and the central health and safety unit. No significant issues were identified.

Business Continuity

The Council’s business continuity arrangements are reviewed on a regular basis. The pace and scale of change in the authority has increased pressure on the systems and procedures for keeping plans up to date and new ways of working have had significant implications for Business Continuity Planning.

Audit attended an exercise named Operation Stevenson to observe the plan in operation first hand and examine the adequacy of the arrangements to keep the plan up to date. The conclusions were positive recognising that “lessons learned” from the exercise are being taken forward appropriately by management.

Contract audit

Previous internal audit reviews of Contracts recommended a range of actions to improve operations in this area. Internal audit have continued to monitor the operation of Contract Procedure Rules and supporting processes to ensure that they support the delivery of value for money in the goods and services procured. While there is always scope for further improvement positive progress has been maintained during the year.

QL procurement

The QL housing management system includes provision for the bulk update of items for payment into the creditor system. As part of a wider review of ordering processes, the use of this system was approved for certain classes of purchasing transaction. This

review disclosed that the bulk of transactions were appropriately routed through the new system and authorised in accordance with approved procedures following the changes. There were a small number of exceptions arising mainly from operational difficulties with the way permissions had been set up to operate on the system although there was no evidence that this had resulted in anything other than technical breaches of purchasing procedures. Officers in housing have reviewed this area and internal audit will examine the revised arrangements in the new financial year.

Procurement through official order

This piece of work was not an audit but a technical exercise to inform changes being made to the payment authorisation process. There are a number of exceptions recognised in Financial Regulations to the general rule that all payments should have a corresponding purchase order. During the year a formal process was put in place to identify exemptions where payment without a corresponding order was acceptable. This work included an interrogation of the creditor system to identify and categorise those classes of transactions. These were agreed by Service Heads and a system is now in place for payment of these exceptions.

Benefits, Council Tax and NNDR audits

Work on completing these three audits did not start until towards the end of the financial year at the request of management, mainly due to the implementation of a new Revenues and Benefits IT system in January. Audit testing of a detailed sample of transactions, system parameters, and reconciliations to other systems has been completed and has not identified any significant issues to date. However a range of matters requiring clarification is still outstanding and consequently it has not been possible to conclude these audits.

While no matters disclosed in the work carried out indicate fundamental control issues in the systems in use, it is not possible to provide full assurance that the systems are functioning effectively because of the issues outstanding. Work to complete these audits will be given priority and the results reported back to the next meeting of the Audit and Governance Committee.

Debtors

This work examined elements of the processing undertaken under the shared service arrangement and systems in the “commissioning” services. No significant issues were identified

Creditors

The operation of the creditors system itself has been included in a number of exercises during the year. Some testing of purchasing arrangements within services following changes to systems is ongoing.

Right to Buy / Housing Act Advances

This was an overview of the current position in relation to Council House Sales and residual mortgages outstanding from the time when the Council itself granted mortgages. The remaining mortgages are all scheduled to be repaid before the end of 2018. Council House Sales have increased and the system for administering this is due

to migrate onto the Aereon QL system. A number of minor issues were identified and future work will be targeted in those areas.

Accounting Controls

This work looked at arrangements for controls relating to the main accounting system through reconciliations etc. No significant issues were identified.

Payroll

Processing of the Council's payroll for the majority of staff is now provided through an arrangement with Wigan MBC. (Payroll for staff seconded to Lancashire County Council is administered through a separate arrangement). This exercise examined the arrangement with Wigan during and immediately after implementation to ensure that the main risks had been addressed by the project. Internal audit have subsequently gained access to the payroll system itself and will undertake a more comprehensive review in due course as part of the 2013/14 audit. No significant issues have been identified in the work carried out to date.

Rents

Rents are processed through the Aereon QL system. This work examined controls on the system and confirmed that transactions were posting correctly to rent accounts. It identified a number of issues relating to controls on the system itself. Solutions for these are currently being explored by staff from housing and internal audit will revisit this area in the new financial year.

Treasury Management

Internal audit examined a sample of investment transactions. Controls were found to be operating in accordance with procedures.

Fees and Charges

This work involved a review of the operation of the fees and charges policy and identification of areas for inclusion in future audit risk assessments.

Housing Stock Maintenance

Housing maintenance is a key service area utilising significant resources. This is a period of change in this area and time has been included in both the 2012/13 and 2013/14 plans for an examination of controls on programmed and responsive repairs to Council housing stock and void properties which is in progress.

Q.L.

This work looked at the use of the Aereon QL system in areas other than rent accounting. The operation of the systems was satisfactory but a number of complex issues were identified in relation to access profiles and solutions are currently being explored by housing staff.

Cash to Leave and Transfer Incentive Schemes

The Transfer Incentive Scheme was found to have been administered in accordance with Council policy. A policy document has been produced in respect of the Tenants' Downsizing Scheme and the Transfer Incentive Scheme system will form a suitable basis for its operation. No significant weaknesses were found although some recommendations were made for enhancements to controls.

Licensing

This work included testing of a sample of applications and a review of the implications of the new Electronic Document Management system on the work of the section. No significant issues were identified.

Transport

The Council's transport fleet operations are secured through contract and the Assistant Director Street Scene requested an overview of the contract monitoring arrangements, commencement of which was delayed due to scheduling difficulties. This work is scheduled for completion shortly.

Community Safety – CCTV

This work was scheduled to take place following the services move to new premises which did not in fact take place during the financial year. Time has been allocated to accommodate essential elements of this review in 2013/14.

Leisure

Work in this area included an examination of systems in use at Chapel Gallery. No significant issues were identified. In addition audit have provided technical assistance to officers appraising applications for the Civic Hall, Community Resource Centres and Ashurst Meeting Room.

Customer Services

As the Council's main point of contact for the general public and having responsibility for a number of services to the public, customer services are subject to regular audit examination. Changes to the structure and organisation of the Council including the provision of services under the contract with Lancashire County Council all potentially impact on the operation of customer services and the Interactive Voice Response system has also been introduced into the contact centre. There were no significant issues identified although it is clear that the position is fluid and dynamic and requires constant monitoring to ensure that the contact centre remains an efficient and effective first point of contact.

Strategic Asset Management Plan

The pilot project for identifying and valuing assets in the Council's ownership had previously been examined and time was included in the plan to examine the development of the processes supporting the Strategic Asset Management Plan as it was rolled out. No significant issues were found with the process.

Building Control

This work examined a sample of applications and tested financial aspects of the process. Various minor issues were identified and an action plan was agreed to address them.

Estates and Valuation

This work is still in progress (No significant issues have been identified to date).

National Anti Fraud Initiative

The Council is required to take part in the Audit Commission National Anti Fraud Initiative. This exercise compares data from various public bodies every two years and where the results appear inconsistent the originating bodies are notified. This report covers activity from the previous two year cycle. The exercise resulted in investigation of a number of matches relating for example to potential tenancy, creditor payment, benefit, council tax single person discount, and insurance fraud. This resulted in 2 prosecutions, 1 administrative penalty and 1 formal caution in relation to benefits, and identified total benefit overpayments locally (including Department of Works and Pensions payments as well as WLBC Housing and Council Tax Benefits) of £45,035.42 and one duplicate creditor payment of £3,501.50. While this exercise falls under the remit of anti fraud work it also provides assurance in relation to some of the Council's main financial systems such as creditors and benefits. No significant issues were identified during this exercise in relation to the Council's systems.

Money Laundering Controls

This time is included in the Audit Plan to cover the Audit Manager's role as the Council's Money Laundering Reporting Officer. During the period no reports of suspected money laundering were made to the Serious Organised Crime Agency. The Council's Anti Money Laundering Policy was refreshed during the year.

Anti Fraud, Bribery & Corruption Policy and Action Plan

Internal Audit have a role in the Council's anti fraud initiatives. During the year the Anti Fraud, Bribery and Corruption Policy was updated, a self assessment of Fraud and Corruption Issues was completed and the Council's Counter Fraud Plan was endorsed.

Investigations

In addition to planned fraud related checks, internal audit have a role in the investigation of potential fraud. Items referred to internal audit during the year in accordance with procedures are dealt with as appropriate. In 2012/13 no referrals were progressed to a formal investigation stage.

4.0 REVIEW OF EFFECTIVENESS

The regulations require that the Council shall conduct a review of the effectiveness of its system of internal audit at least once a year. Both the Internal Audit Manager and the Borough Treasurer in his role as Section 151 Officer consider that the Council has maintained an adequate and effective system of Internal Audit in 2012/13 based on the

requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

5.0 MANAGEMENT RESPONSES TO INTERNAL AUDIT REPORTS.

During the year recommendations for improvements to controls in various systems have been made by internal audit and agreed by Management. Responses from the auditees have been satisfactory and recommendations have been implemented within reasonable timescales.

6.0 AUDIT OPINION

The Internal Audit Plan was prepared without any limitations on scope and has been substantially completed. No control issues were identified during the course of the audit work in 2012/13 that would be likely to have a material effect on the Council's Financial Statements, however no system of control can eliminate all risk of failure to achieve policies, aims and objectives. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing key risks.

These risks are reflected in the audit plan and subject to separate reports during the course of the year and based on the work which internal audit carried out during the course of the year and taking into account other sources of assurance available, such as the Council's external auditor's Annual Audit and Inspection Letter, I conclude that West Lancashire Borough Council's risk management systems and internal control environment are adequate and operating effectively.

Taking into account the annual review of West Lancashire Borough Council's internal controls, as outlined in its Local Code of Governance, there are no issues arising from Internal Audit's work in year 2012/13 which need to be brought to the attention of the Audit and Governance Committee or disclosed in the preparation of the Annual Governance Statement.

M.A.Coysh
Internal Audit Manager
West Lancashire Borough Council



AGENDA ITEM: 6

**AUDIT & GOVERNANCE COMMITTEE:
25 June 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr M.Coysh (Extn. 2603)
(E-mail: mike.coysh@westlancs.gov.uk)**

SUBJECT: INTERNAL AUDIT ACTIVITY TO JUNE 2013

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise of progress against the 2013/14 Internal audit Plan.

2.0 RECOMMENDATION

2.1 That Members note progress in the year to date and direct any questions to the Internal Audit Manager who will be present at the meeting.

3.0 BACKGROUND

3.1 Members approved the 2013/14 Internal Audit Plan in April and the Internal Audit Manager brings written reports to each meeting of this Committee to update on progress against the plan.

4.0 INTERNAL AUDIT ACTIVITY TO DATE

4.1 A report summarising progress to date is attached and the Internal Audit Manager will attend the meeting to address any questions Members may have. No significant issues have arisen from Internal Audit's work in the first quarter that would merit being drawn specifically to the attention of the Committee.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 All the activity referred to in this report is covered by existing budget provisions.

7.0 RISK ASSESSMENT

7.1 This report summarises progress against Internal Audit's work programme to date. Internal Audit's work is a key source of assurance to this Committee that risks to the Council's objectives are being properly managed.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. Internal Audit First Quarter Activity Update Report.

Internal Audit Update Report 2013/14 to date**Progress against the Plan**

Title	Position
Icon cash and income collection systems	Work in progress
Market	Work in progress
Council Stock Maintenance	Work in progress
Annual Governance Statement	Planned work complete
NFI	Work in progress

Summary	
Planned work complete	1
Work in progress	4
Reviews of contract implementation	0
Work not commenced	31
Total	36

BACKGROUND

The audit manager brings an update report of progress against the plan to each meeting of Audit and Governance Committee. In order to meet committee publication deadlines though, the report is always prepared before the end of the quarter.

In considering this progress report it should be recognised that time is always taken up at the start of the new financial year with the completion of audits commenced in the previous year

COMMENTARY

The service is currently operating with a full complement of staff and to date 5 out of 36 items (14%) from the plan are in progress. This compares favourably with the position at the end of the first quarter of 2012/13 when the section was carrying a vacancy, and consequently represents satisfactory progress to date.

Internal audit have also been involved in two investigations during the quarter.

CONCLUSION

At the time of writing there were no significant issues arising from Internal Audit's work in the quarter that would merit being drawn specifically to the attention of Audit and Governance Committee.



AGENDA ITEM: 7

**AUDIT AND GOVERNANCE
COMMITTEE: 25 June 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancls.gov.uk)**

SUBJECT: ANNUAL GOVERNANCE STATEMENT 2012/2013

Borough wide interest

1.0 PURPOSE OF THE REPORT

1.1 To consider the Council's Annual Governance Statement for 2012/13.

2.0 RECOMMENDATION

2.1 That the Annual Governance Statement 2012/2013 be approved and commended to the Leader and Managing Directors for signature.

3.0 BACKGROUND

3.1 The Accounts and Audit Regulations 2011 require the Council to publish an Annual Governance Statement with its financial reports. The CIPFA / SOLACE Framework provides guidance on the proper practices to be followed to fulfil this requirement and Officers have followed this approach in producing the Annual Governance Statement.

3.2 An Application Note was issued by CIPFA in March 2010, outlining requirements for the Statement in relation to their document 'Statement on the Role of the Chief Financial Officer in Local Government (2010)' and the Governance Statement has also been produced in line with this guidance.

3.3 The terms of reference of this Committee include responsibility for approving the Annual Governance Statement and commending it for signature by the Leader and Managing Directors.

4.0 CURRENT POSITION

- 4.1 The Council has a track record of demonstrating solid financial and governance arrangements.
- 4.2 The Annual Governance Statement provides a summary of the Council's internal control environment and a review of its effectiveness. This year's Statement confirms that the framework is adequate and that good progress has been made in addressing the significant governance issues identified in last year's statement.
- 4.3 The Authority has consistently received positive feedback from its external auditors on its arrangements for internal control, and the most recent Annual Audit and Inspection letter has concluded the same.
- 4.4 In the Annual Audit Report, elsewhere on this agenda, the Council's Internal Audit Manager has summarised the findings from Internal Audit activity over the year and these findings are incorporated into the Annual Governance Statement.
- 4.5 All Heads of Service and senior Managers have considered and signed a Certificate on Internal Control to confirm that governance arrangements and internal controls have not been compromised during the past year in their areas of responsibility. As it is Managers who are charged with embedding governance systems in their areas, this is an integral part of the annual review process.
- 4.6 However we cannot afford to be complacent and a number of current governance issues are identified in the Statement that will need to be monitored closely in the forthcoming months. This includes the financial challenges facing the Council (as well as all other local authorities), and a Major Service Review report that considers these issues in detail will be presented to Council in July.

5.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 5.1 All the activity referred to in this report is covered by existing budget provisions.

6.0 SUSTAINABILITY IMPLICATIONS / COMMUNITY STRATEGY

- 6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

7.0 RISK ASSESSMENT

- 7.1 Failure to publish an Annual Governance Statement with the Statement of Accounts would breach one of the Council's statutory obligations.

Background Documents

The following background documents (as defined in Section 100D (5) of the Local Government Act 1972) have been relied on to a material extent in preparing this Report.

- CIPFA Solace 'Delivering Good Governance in Local Government: a Framework' 2007
- CIPFA Solace 'Application Note to Delivering Good Governance in Local Government: a Framework' 2010

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

West Lancashire Borough Council's Annual Governance Statement 2012/2013

WEST LANCASHIRE BOROUGH COUNCIL

2012/13 ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

West Lancashire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

To discharge this overall responsibility, the Council must have in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011, in relation to the production of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and the mechanisms through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at West Lancashire Borough Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has in place a comprehensive governance framework, the key elements of which are as follows:

The Council reviews its vision and priorities regularly. A statement of the current vision, values and priorities is available in a number of formats and, together with a number of other documents referred to in this Annual Governance Statement, can be viewed online on the Council's [website](#).

The Council's 4 year Business Plan sets out how it will deal with the very difficult financial challenges facing all local authorities as a result of government decisions on grant funding reductions and the challenging economic climate.

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis.

The innovative Joint Managing Director structure continues to provide high quality management for the Council.

The Council has a number of core customer service standards which apply to all customers and staff. These corporate customer care standards provide a clear commitment of our desire to attain the highest quality of customer service. They include response times for letters and emails, telephone calls, complaints, visits to our offices, visits to customer's homes and out of hours emergencies. They cover targets and the attitude and behaviour of staff and customers.

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are available on the Council's website. The Council also has a Standards Committee whose role is to promote and maintain high standards of conduct.

A corporate Equality and Diversity steering group is in place which meets periodically to ensure the Council complies with its duties under Equality legislation.

The Council's Constitution clearly sets out the respective roles and responsibilities of the Council, its Executive and Overview and Scrutiny functions, and delegations to Committees, Portfolio holders and Chief Officers as well as those functions which, by Statute, are to be exercised by a designated "Proper Officer".

As part of the Constitution the Council has agreed a Protocol on Member/Officer Relations and Conventions for the Management of Council Business.

The Council's professionally qualified Chief Finance Officer (the Borough Treasurer) is responsible for the proper administration of its financial affairs. The Officer attends Directorate Service Head meetings and has a direct reporting line to the Joint Managing Directors. Financial advice is provided for all the key decisions that are made.

A Medium Term Financial Forecast and Treasury Management Strategy, which fully assesses the potential financial risks to the Authority, are in place and reviewed regularly. Standing orders, Contract Procedure Rules and Financial Regulations, that detail the Authority's financial management arrangements, are also maintained and developed.

The Council has a comprehensive Risk Management process in place which is fully embedded throughout the Authority and forms an integral part of the management process. This includes a dedicated resource committed to this area of work to ensure

consistency and compliance throughout the Authority. In addition all reports to Council and Cabinet have a risk assessment section.

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*.

The Council's Monitoring Officer Protocol sets out how the Council deals with issues of concern including legality, probity, vires and constitutional issues.

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a formal Complaints Procedure, Anti-Money Laundering Policy, Whistleblowing Code and Anti-Fraud, Bribery and Corruption Policy.

Recruitment Procedures are in place to ensure the appointment of appropriately skilled employees. An induction process is also in place for employees along with guidance for Managers on how to induct new employees into their teams. Ongoing training needs are identified through a Development Appraisal Scheme.

The Council is committed to consulting local people and a 'Your Views' section is available on the Council's website dedicated to engaging the public.

The Council has in place a Protocol which sets out how the essential elements of local governance, accountability and transparency will be maintained within any proposed arrangements for service delivery through partnerships.

FINANCIAL MANAGEMENT ARRANGEMENTS

The Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

West Lancashire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service and Managers within the Authority who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and also by the work undertaken by the External Auditors and other review agencies and inspectorates.

The Council is ultimately responsible for maintaining an up to date governance framework which is chiefly contained in its Constitution and is made up of its standing orders, financial regulations and scheme of delegation together with various associated policies and procedures.

Our most recent Annual Audit Letter from the Audit Commission concluded that the Council has effective arrangements in place for internal control. Our new external auditors, Grant Thornton, have also not raised any significant issues of concern.

As part of the procedure for producing this statement, the Council's Heads of Service and Senior Managers are required to review whether there are any significant control or governance issues that require addressing. Areas for development in data protection arrangements were identified through this process and details on this are provided later in this statement. The Borough Treasurer, who has overall responsibility for the Authority's financial framework, has not identified any significant governance or internal control issues in relation to financial matters.

In carrying out a continuous audit of the Council's business, the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2012-13 does not identify any serious deficiencies in the Council's internal control mechanisms.

The Audit and Governance Committee are charged with monitoring Contract Procedure Rules, Financial Regulations and other provisions of the Constitution. This Committee also considers how well the Council has complied with its own and other published standards and controls in so far as these contribute to the adequacy of its framework of internal control.

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and plans to address development issues and ensure continuous improvement of the system are in place.

PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2012-13 and has also set a balanced budget for 2013-14. Consequently the Council is taking appropriate action to secure a stable financial position.

CURRENT SIGNIFICANT GOVERNANCE ISSUES

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

While the Council currently has a healthy financial position, dealing with the very difficult economic environment continues to be the primary challenge for the Authority. The Medium Term Financial Forecast identified a need to make 30% savings over 4 years and this level of savings has meant that the Council has needed to radically change its structure and the way it operates.

The Business Plan has been developed to achieve these savings through a measured and well thought out process. However this level of change will create significant risks in the governance framework that will need to continue to be managed and reviewed effectively.

DATA PROTECTION

The Council reported a data protection issue to the Information Commissioner's Office in the year and has entered into a voluntary undertaking. The Council is reviewing and developing this area. This has included completing an internal audit of data protection

processes and implementing an action plan of targeted improvements. An additional resource was also agreed in the Budget to implement these developments.

The action plan has now been substantially completed and a satisfactory level of compliance achieved against best practice requirements. Additional work will take place over the next few months to complete the action plan and to develop processes and procedures further to minimise the risk of issues arising in the future.

REVENUES AND BENEFITS

Revenues and Benefits have seen a significant amount of change in recent months with the introduction of a Localised Council Tax Support Scheme to replace Council Tax Benefits, new rules on entitlement to Housing Benefits, and the implementation of a new IT system. No material governance matters have been identified, but given the scale of change there is an increased audit risk, which is why this area is included on the Key Risks Register. Internal audit reviews are currently in progress and external audit will also review this service area as part of their standard work on the audit of the accounts. The large scale investment in IT that has taken place will allow for an efficient and effective service to be provided in the future.

We propose to monitor the above issues over the coming year and to take steps to maintain and develop our governance arrangements.

SIGNED:

Date

LEADER

SIGNED:

Date

MANAGING DIRECTOR (PEOPLE AND PLACES)

SIGNED:

Date

MANAGING DIRECTOR (TRANSFORMATION)

On behalf of West Lancashire Borough Council



AGENDA ITEM: 8

**AUDIT & GOVERNANCE COMMITTEE:
25 June 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: STATEMENT OF ACCOUNTS

Borough wide interest

1.0 PURPOSE OF THE REPORT

1.1 To provide details on the preparation of the Statement of Accounts for the year ended 31st March 2013.

2.0 RECOMMENDATIONS

2.1 That this report be noted.

2.2 That a further report to approve the audited statement of accounts be produced for the next meeting of the Committee.

3.0 BACKGROUND

3.1 It is part of the terms of reference of this Committee that it will approve the Council's Statement of Accounts by the 30th September each year.

4.0 AUDIT PROCESS

4.1 The Accounts and Audit Regulations 2011 require that by the 30th June each year that the Council's Chief Finance Officer must sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position and performance of the body for that year. At the time of writing this report, the accounts are being reviewed and verified, and are on course to be produced by the due date. Once the accounts are finalised it is intended that they will be published on the Council's website and a link sent to all Council Members, with paper copies being made available on request.

- 4.2 Over the course of the summer our external auditors – Grant Thornton – will conduct an audit of the accounts. The summer period will also provide Members with the opportunity to scrutinise the accounts in detail and request any additional information or raise any issues.
- 4.3 Regulations require that our external auditors report on their findings from the audit directly to Members before the end of September. This report will be presented to the next meeting of the Audit and Governance Committee, and at that time the Committee will be asked to approve the audited accounts.

5.0 KEY FEATURES OF THE ACCOUNTS

5.1 The Statement of Accounts is a technical document that has to be prepared in accordance with complex accounting rules and regulations, and typically is around 90 pages long. To assist Members, a short summary of the key features in the accounts on financial performance are set out below:

- The final outturn position on the General Revenue Account is a favourable budget variance of £211,000. It is intended that the Major Service Review report to Council in July will set out the proposed use of these monies
- The level of GRA balances was reduced by £190,000 to £960,000 in line with the Reserves policy agreed by Council in February. This reflects the fact that the level of balances is based on the net budget requirement which has reduced in recent years. This funding has been transferred to earmarked reserves to form part of the new Business Rate Equalisation Reserve which was also approved as part of the Reserves policy
- The level of GRA earmarked reserves has increased by £1.126m. This partly reflects the transfer from balances above but also reflects the funds of £988,000 allocated for capital investment purposes that will be spent in 2013-14. These include schemes for Moor Street, CCTV cameras, Blue Wheelie Bins and Firbeck and Findon
- The Capital Receipts Reserve has reduced by £0.743m to £3.518m, as current levels of expenditure are in excess of the capital receipts being generated. This position is being managed through the Council's medium term capital programme setting process
- The HRA achieved its revenue budget targets for the year and also increased its capital investment in dwellings by just over £1.7m to £6.760m. HRA balances remained unchanged at the year end, while HRA earmarked reserves were increased by further funding to be spent on capital investment in 2013-14
- The Major Repairs Reserve was fully spent on Housing Capital Investment purposes, and the balance at the year end was zero

6.0 SUSTAINABILITY IMPLICATIONS / COMMUNITY STRATEGY

6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

7.0 RISK ASSESSMENT

7.1 The formal reporting of the Council's financial performance and position is part of the overall control framework that is designed to minimise the financial risks facing the Council.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

None



AGENDA ITEM: 9

**CABINET:
18 JUNE 2013**

**AUDIT & GOVERNANCE
COMMITTEE:
25 JUNE 2013**

Report of: Borough Solicitor

Relevant Managing Director: Managing Director (People and Places)

Relevant Portfolio Holder: Councillor I Grant

**Contact for further information: Mr T P Broderick (Ext 5001)
(E-mail: terry.broderick@westlancs.gov.uk)**

**SUBJECT: REGULATION OF INVESTIGATORY POWERS ACT – ANNUAL
SETTING OF POLICY AND REVIEW OF USE OF POWERS**

Borough Wide interest

1.0 PURPOSE OF THE REPORT

1.1 To review and set the Policy on the use of the Regulation of Investigatory Powers Act 2000 (RIPA) and to review the use of covert surveillance and the acquisition of communications data by the Council over the last year.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the RIPA Guide and Guidance on Completing RIPA Authorisation Forms be approved.

2.2 That the Council's RIPA activity be noted.

2.3 That Managing Directors and Heads of Service be authorised to appoint officers to attend the Magistrates' Court to seek orders approving the grant or renewal of authorisations for directed surveillance, covert human intelligence sources and acquisition of communications data.

3.0 RECOMMENDATION TO AUDIT & GOVERNANCE COMMITTEE

3.1 That the Annual update report and review of use of powers, be noted.

4.0 BACKGROUND

- 4.1 The Council employ a number of investigative techniques including surveillance, which assist its regulatory functions. Relevant areas of activity include investigations by Internal Audit, Benefits Fraud Team, Environmental Health, Licensing, CCTV Services and MAPs Team.
- 4.2 In accordance with RIPA, its subordinate legislation and Codes of Practice, the Council regulates its relevant surveillance activities. As well as robust systems for internal control the Council is also subject to external inspections by the Office of Surveillance Commissioners (which monitors the use of directed surveillance and covert human intelligence sources) and the Interception of Communications Commissioner's Office (which monitors the acquisition of communications data). The Council was last inspected by the OSC on 21 July 2010 and the findings from that inspection were reported to the members of cabinet on 14 September 2010. A further inspection has been scheduled and is to take place on Thursday 27 June 2013.
- 4.3 The statistical information on the use of RIPA powers during the last year is set out in paragraph 6.1 below.
- 4.4 As was presaged in last years' report to Cabinet the Protection of Freedoms Act 2012 ("the 2012 Act") came into force within the last year. The 2012 Act and related changes requiring (amongst other things) judicial approval to activate the grant or renewal of an authorisation to obtain communications data, to conduct directed surveillance or to use covert human intelligence sources. Provisions also further regulate CCTV and other surveillance camera systems operated by public authorities, including Councils. Relevant steps have been taken in that regard. The Council can now only grant authorisations for directed surveillance where one or more criminal offences carrying a minimum sentence of 6 months imprisonment are suspected. No urgent oral authority may be obtained by local authorities.
- 4.5 In order to give effect to the requirement to seek approval of authorisations or renewals of authorisations for relevant surveillance activities from the Magistrates' Court, officers will need to be appointed by Heads of Service or Managing Directors for that purpose. This would allow investigating officers the opportunity to attend and explain the circumstances/give evidence when seeking approval.

5.0 POLICY APPROVAL

- 5.1 As a requirement of the RIPA Code of Practice the Council considers its policy in this area on an annual basis, as well as reviewing its use of the powers through quarterly reports to Audit and Governance Committee. The Council's RIPA Guide forms the Council policy in this area and has been commended in earlier inspections. A link to the draft updated Guide and the associated Guidance to Officers is available through the following link http://www.westlancs.gov.uk/council_and_democracy/legal_statements_and_foi/ripa.aspx At paragraph 5 the Guide stresses that grantors must believe the authorised activity is:

(1) necessary for preventing and detecting crime; and

(2) proportionate to what is sought to be achieved in carrying out the surveillance activity (e.g. the 24/7 watching of premises, where private individuals may go about their lawful business, for the possibility of gaining collateral evidence for a very minor technical infraction of an offence would not in all likelihood be proportionate). If it fails either test, authorisations should not be granted.

5.2 The Guide includes provisions regulating the process for Management of CHIS (covert human intelligence sources) by the Borough Solicitor.

5.3 The forms guidance provides a step-by-step guide to officers in the use of the policy for relevant activity. These documents are monitored throughout the year to ensure they are up to date and 'fit for purpose' and may be amended in accordance with delegated arrangements.

5.4 In the current year an amended version was prepared to cater for the changes brought about by the 2012 Act.

6.0 MONITORING OF RIPA ACTIVITY

6.1 Since April 2012 no covert surveillance has been authorised.

7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

7.1 There are no significant sustainability implications arising directly from this report, although properly authorised RIPA activity may assist in delivering safer communities.

8.0 FINANCIAL AND RESOURCE IMPLICATIONS

8.1 There are no additional significant financial and resource implications arising from this report.

9.0 RISK ASSESSMENT

9.1 The Council could be in breach of the relevant legislation if it does not follow the procedures set out in the RIPA and its Codes. This could result in the inadmissibility of evidence and the possibility of breach of the Human Rights Act 1998.

BACKGROUND DOCUMENTS

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required

Appendices

Appendix 1 – RIPA Guide and Forms Guidance dated available at:

http://www.westlancs.gov.uk/council_and_democracy/legal_statements_and_foi/ripa.aspx



AGENDA ITEM: 10

**AUDIT & GOVERNANCE COMMITTEE:
25 JUNE 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr M.Coysh (Extn. 2603)
(E-mail: mike.coysh@westlancs.gov.uk)**

SUBJECT: UNITED KINGDOM PUBLIC SECTOR INTERNAL AUDIT STANDARDS \ LOCAL GOVERNMENT APPLICATION NOTE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise of the implications of the Chartered Institute of Public Finance and Accountancy (CIPFA) publication Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards.

2.0 RECOMMENDATION

2.1 That the position be noted.

3.0 BACKGROUND

3.1 The UK public sector has adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. A report to this Committee in March advising of the change noted that CIPFA were due to publish a Local Government Application Note (LGAN) to be used in conjunction with the PSIAS.

3.2 There is requirement under the Accounts and Audit Regulations 2011 for the Council to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control” The Department for Communities and Local Government (DCLG) clarified that from 1 April 2013 “proper practices” would be those defined in the PSIAS in conjunction with the LGAN.

- 3.3 The LGAN was not published in time for the March meeting and it was noted that a further report would be brought setting out any implications of its content for the Council once it became available.
- 3.4 The PSIAS encompass the Mandatory Elements of the Global Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). As previously reported these are made up of The Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 3.5 CIPFA acknowledge that the PSIAS are new and complex and the LGAN has been produced to provide interpretation and practical guidance on how to apply the PSIAS. It sets out sector specific requirements for internal audit in local government but only where this has been deemed necessary to ensure continuity of application in the local government context, for example where the requirements of The Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code) have not been explicitly addressed in the PSIAS.

4.0 WHERE THE CODE'S REQUIREMENTS WERE MORE SPECIFIC THAN THE PSIAS

- 4.1 There is inevitably a great deal of common ground between the PSIAS and its predecessor the Code. The application note generally amplifies the requirements in the PSIAS by reintroducing and clarifying local government specific requirements previously contained in the "Code" but absent from the PSIAS as they are not applicable to the wider public sector.

These form the backbone of the LGAN and include for example

- The requirement for internal audit's Terms of Reference to recognise that its remit extends to the entire control environment of the organisation enabling the Head of Internal Audit to deliver an annual audit opinion.
 - The requirement for the Head of Internal Audit to make arrangements within the organisation's anti fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety.
 - The requirement for the Head of Internal Audit to have direct access to, and freedom to report in his or her own name without fear or favour to, all officers and members and particularly 'those charged with governance'.
- 4.2 As a general rule, because these requirements were already contained in the Code they require no further action in West Lancashire.

5.0 DIFFERENCES IN TERMINOLOGY AND GOVERNANCE MODELS

- 5.1 The terminology in the original IPPF is not sector specific and has largely been retained in the PSIAS. The LGAN therefore provides guidance on interpretation of the provisions of the PSIAS in relation to UK public sector governance arrangements.

- 5.2 In many cases this is straightforward but there are some areas where the variety of governance models in place in local government require further interpretation to reflect local arrangements.
- 5.3 As an example in discussing requirements for Organisational Independence contained in the PSIAS, the LGAN notes the requirement for a local interpretation of the term “Board” (used in the PSIAS to represent the highest level of governing body in the organisation).
- 5.4 The LGAN recognises that the role of the board may be satisfied by the audit committee, the cabinet or even full council and that it is the responsibility of the Head of Internal Audit and the organisation to decide which group fulfils the definition in each standard and document this in the internal audit charter.
- 5.5 In order to achieve compliance in West Lancashire there will be a need to update the IA charter and review other documentation against the PSIAS and LGAN to ensure clarity.

6.0 WHERE THE PSIAS REQUIRMENTS ARE NEW OR MORE SPECIFIC THAN THE CODE

- 6.1 There are a small number of areas where the requirements in the PSIAS are more specific than those contained in the Code. Examples of these are included below.
- 6.2 The PSIAS have a narrower definition of ‘conflict of interest’ than was set out in the Code and more stringent requirements in relation to reporting any potential conflict of interest.
- 6.3 The Quality Assurance and Improvement Programme (QAIP) required by the PSIAS is a new requirement to support improvement in standards. In practice, this does not add significantly to existing requirements but it does introduce specific requirements in relation to Internal and External Assessments of the QAIP which will require new arrangements to be put in place to evidence compliance.
- 6.4 In order to achieve compliance in West Lancashire there will be a requirement for training on the PSIAS and LGAN for auditors and a small number of areas will require new arrangements to be put in place.

7.0 CONCLUSION

- 7.1 In practice WLBC internal audit’s existing Terms of Reference and working practices already comply with the majority of the Standards contained in the PSIAS and the LGAN.
- 7.2 The Audit Manager will review the operation of the service against the PSIAS and LGAN, refresh the internal audit Charter, provide training for staff on any new requirements and where necessary introduce new procedures to ensure full

compliance with the new standards. It is not anticipated that this will require any additional resources.

8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

9.0 FINANCIAL AND RESOURCE IMPLICATIONS

9.1 All the activity referred to in this report is covered by existing budget provisions.

10.0 RISK ASSESSMENT

10.1 Compliance with the PSIAS and the Application Note is effectively a statutory requirement. Compliance will be required in order for this Committee to be able to place reliance on the assurance gained from the work of internal audit.

Background Documents

CIPFA Local Government Application Note (held in the Internal Audit Office)

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

None

Audit & Governance Committee Work Programme – 25 June 2013

Date	Training (commencing 6.30pm)	Items
24 September 2013	Housing Self Financing	<ol style="list-style-type: none">1. External Audit Annual Governance Report2. Internal Audit Mid-Year Review3. Approval of Statement of Accounts4. Regulation of Investigatory Powers Act quarterly monitoring of use of powers5. Annual Review - Anti-Fraud, Bribery and Corruption Policy6. The Effectiveness of the Data Quality Protocol7. Treasury Management
28 January 2014	Basic Guide to Governance	<ol style="list-style-type: none">1. Risk management Framework2. Internal Audit Activities – Quarterly Update3. Regulation of Investigatory Powers Act quarterly monitoring of use of powers4. New Audit Standards
25 March 2014	TBC	<ol style="list-style-type: none">1. External Audit Report – Claims and Returns2. Local Code of Governance3. Internal Audit Activities – Quarterly Update4. Internal Audit Plan 2014/155. Regulation of Investigatory Powers Act quarterly monitoring of use of powers.
?? June 2014	TBC	<ol style="list-style-type: none">1. Internal Audit Activities – Annual report2. Internal Audit Activities – Quarterly Update3. Annual Governance Statement4. Statement of Accounts5. Regulation of Investigatory Powers Act Annual and Quarterly Monitoring of Use of Powers