

Dear Councillor

CORPORATE GOVERNANCE COMMITTEE - WEDNESDAY, 26 JANUARY 2022

I am now able to enclose for consideration at the above meeting the following reports that were unavailable when the agenda was printed.

**Agenda Item
No.**

5. EXTERNAL AUDIT - PUBLIC SECTOR AUDIT APPOINTMENTS LTD
(Pages 3 - 12)

To consider the options for appointing an External Auditor from 2023/24 and to recommend the preferred option to Council.

6. CODE OF PROCUREMENT (Pages 13 - 40)

To consider a report by the Assistant Director (Corporate Services) on the outcome of the annual review of the Code of Procurement.

8. APPROVAL FOR PUBLICATION OF THE 2020/21 ANNUAL FINANCIAL REPORT

This item will now be considered at the meeting of the Committee on 30th March 2022.

9. PROGRESS ON ANNUAL GOVERNANCE STATEMENT 2020/21 - SIGNIFICANT ISSUES (Pages 41 - 52)

To receive a report outlining progress on issues arising from the 2020/21 Annual Governance Statement.

10. IMPLEMENTATION OF INTERNAL AUDIT ACTIONS (Pages 53 - 82)

To receive a report from the Internal Audit Manager providing an update on the implementation of audit actions.

11. PROGRESS ON THE INTERNAL AUDIT PLAN (Pages 83 - 92)

To receive a report from the Internal Audit Manager providing an update on progress with the Internal Audit Plan.

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Invitation to Become an Opted In Authority: The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations)

Meeting/Date: Corporate Governance Committee – 26th January 2022
Council – 23rd February 2022

Executive Portfolio: Councillor D Keane, Executive Councillor for Corporate Services

Report by: Justin Andrews, Assistant Director (Corporate Services)

Ward(s) affected: All Wards

Executive Summary:

The Local Audit and Accountability Act 2014 requires authorities to either opt into the appointing person regime or to establish an Auditor Panel and conduct their own procurement exercise. The Council has been invited by Public Sector Audit Appointments Limited (PSAA) to opt into the national scheme for external audit appointments from 2023/24 onwards. PSAA is offering this scheme as an appointing person under the Local Audit (Appointing Person) Regulations 2015. This is a continuation of the process previously agreed by the council in 2016.

Recommendation:

The Committee is

RECOMMENDED

to recommend to Council that Huntingdonshire District Council opts into the national scheme by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

The Council is

RECOMMENDED

to opt Huntingdonshire District Council into the national scheme by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

1. PURPOSE OF THE REPORT

- 1.1 To consider the agreement to opt into the national scheme for appointing an external Auditor from 2023/24 to 2027/28 and to make the recommendation to Council.

2. BACKGROUND

- 2.1 Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt into the appointing person regime or to establish an Auditor Panel and conduct their own procurement exercise.
- 2.2 The Council has been invited by Public Sector Audit Appointments Limited (PSAA) to opt into the national scheme for external audit appointments from 2023/24 onwards. PSAA is offering this scheme as an appointing person under the Local Audit (Appointing Person) Regulations 2015.

3. LEGAL IMPLICATIONS

- 3.1 The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

4. RESOURCE IMPLICATIONS

- 4.1 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2022/23, although it is anticipated that any increase will be minimised through using PSAA.

5. REASONS FOR THE RECOMMENDED DECISIONS

- 5.1 It is likely that a sector wide procurement conducted by the PSAA will produce better outcomes for the Council than any procurement undertaken by the Council or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an Auditor Panel and conducting the procurement.

6. LIST OF APPENDICES INCLUDED

Appendix 1 – Invitation to opt in to the national scheme for Auditor appointments

Appendix 2 – Form of notice of acceptance

7. BACKGROUND READING

- 7.1 [Previous report to CGC on External Audit 7 Dec 2016.](#)

CONTACT OFFICER

Name/Job Title: Justin Andrews, Assistant Director (Corporate Services)
Email: Justin.Andrews@huntingdonshire.gov.uk

22 September 2021

To: Ms Lancaster, Chief Executive
Huntingdonshire District Council

Copied to: Mrs Edwards, S151 Officer
Mr McGuire, Chair of Audit Committee or equivalent

Dear Ms Lancaster,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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Appendix 2

Appointing Period 2023/24 to 2027/28

Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your body's formal notice of acceptance of the invitation to opt into the appointing person arrangements from 2023)

Email to: ap2@psaa.co.uk

Subject: Huntingdonshire District Council
Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 22 September 2021 to become an opted-in authority for the audit years 2023/2024 to 2027/2028 for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that **Huntingdonshire District Council** has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations, and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: **[insert name of signatory]**

Title: **[insert role of signatory]** (authorised officer)

For and on behalf of: **Huntingdonshire District Council**

Date: **[insert date completed]**

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Proposal to Uplift the Code of Procurement Thresholds

Meeting/Date: Corporate Governance Committee – 26th January 2022
Council – 23rd February 2022

Executive Portfolio: Councillor D Keane, Executive Councillor for Corporate Services

Report by: Justin Andrews, Assistant Director (Corporate Services)

Ward(s) affected: All Wards

Executive Summary:

A proposal to update the Code of Procurement within HDC's constitution to increase the procurement thresholds in line with peer organisations, to reflect the need for more dynamic purchasing options to meet post-COVID need. Further, to reduce the procurement administrative burden which outweighs the perceived VfM saving through onerous process-intensive rules. The new thresholds will allow faster purchasing of goods and services, allow enhanced social-value choices for local suppliers and reduce the overall cost of purchase whilst maintaining controls and staying within the UK government and EU regulations. This uplift refers only to the first two levels, raising the single quote limit to £10k and the three-quote limit to £50k. Beyond this, the existing regulations on advertising, formal quotation and competitive tendering remain the same which enables combining two levels into one.

Recommendation:

The Committee is

RECOMMENDED

to endorse the changes to the Code of Procurement to raise the thresholds for the lower levels and simplify the level structure – within the existing regulations, as amended by EU exit legislation to Council for approval.

The Council is

RECOMMENDED

to approve the changes to the Code of Procurement to raise the thresholds for the lower levels and simplify the level structure – within the existing regulations, as amended by EU exit legislation

1. PURPOSE OF THE REPORT

- 1.1 To inform Committee of the proposal to uplift the Code of Procurement to include higher purchasing thresholds and simplify the procurement process.

2. BACKGROUND

- 2.1 Our Code of Procurement currently sets out a series of thresholds or limits as a framework for officers to act when buying goods and services for the Council. The limits set are within the regulations and legislation, particularly with regard to the EU threshold, but also rely heavily on expert Procurement Officer support. Although the process and bureaucracy of the upper tiers are unavoidable and place a substantial burden on officer time, these thresholds are set by legislation and (formerly) EU regulations. We are at liberty to adjust tiers below these levels to reduce the burden on our officers and thus effectively increase productivity and value for money efficiency.
- 2.2 Further, the bureaucracy of the upper tiers also places local suppliers at a disadvantage as they do not have the expertise, time nor inclination to endure our processes for contracts of low value. This means we are limited to the 'bigger players' and inevitably this increases our costs.

3. RATIONALE

- 3.1 The limits we have set ourselves ensure we are getting value for money, but also acting within the expectations of public procurement policy to operate a fair system of open competition. However, the law of unintended consequences means that VfM is skewed by the amount of officer time taken to assess tenders and deal with the associated administrative burden of this process. Where officer time can run to many 10s of hours, the cost of this versus a saving of a few £100 or the odd £1k is unsustainable.
- 3.2 A second consequence is the disadvantage played to local and small to medium firms¹ that are not staffed nor experienced enough to deal with the tendering process we use and so lose out on potentially straightforward contracts. We have a desire to ensure a social value is a part of our procurement process, which we currently struggle to achieve based on our thresholds. Uplifting thresholds is a part of encouraging local and SMEs by making the contract amount worth their effort in negotiating our procurement process.

Officer Time Spent on Procurement

- 3.3 Analysis² conducted by the Procurement Manager in South Cambs (with similar existing thresholds to HDC) shows that by raising the procurement thresholds, officer time needed to process bids and manage procurement administration is reduced by 20%-25% (i.e. a whole day per week). Higher thresholds do yield another (smaller) reduction in officer time spent on procurement activities, but on balance, the desire to increase efficiency versus risk plus the drive to align with partner councils suggest the greater success will be with the thresholds chosen

¹ See Appendix for a Review of Barriers for SMEs Report from SCDC

² See Appendix for this data

4. THRESHOLD UPLIFT

- 4.1 The relevant part of HDC's constitution is the section entitled 'Code of Procurement'. The current limits we have imposed upon ourselves are in para 5.3 of this code (also in the table below). These thresholds are inclusive of VAT, so in reality the lower level amounts to only £4000 of purchasing power before needing to seek 3 quotes.
- 4.2 This proposal relates to the lower end of this spectrum, to uplift the 'purchasing power' for the 'estimates' levels (L1 & L2). It also 'merges' the formal quote and competitive tendering levels as this amounts to much the same thing in terms of complexity for potential bidders, officer time, and any contracts over £25k must be advertised on 'Contracts Finder' (the national procurement portal for public sector contracts).
- 4.3 The intention is that financial rigour is maintained by retaining the existing controls as specified in the Code of Procurement which ensure VfM and compliance with spirit as well as the letter of the regulations. The increase in the thresholds is an efficiency and flexibility measure which alleviates the administrative burden with minimal risk to financial propriety.
- 4.4 This change also replaces text referring to EU regulations, and where appropriate states World Trade Organisation (WTO).

Levels	Type	Old	New	Control Measure
Level 1	Single Quote	Up to £5k	Up to £10k	£5k< – must have had training
Level 2	3 quotes	£5k – £25k	£10k - <£50k	£25k< - must be approved by Procurement Officer
Level 3	Formal Quote	£25k - £100k		<i>Remove level, combined into 'Tender' level</i>
Level 4	Tender	EU Thresholds	£50k - WTO Threshold	<i>Expanded level</i>
Level 5	EU tender	EU Thresholds	WTO Thresholds	<i>No Change (remove EU terminology)</i>

5. REASONS FOR THE RECOMMENDED DECISIONS

- 5.1 This is a small change which has limited effect on risk and likelihood of fraud within HDC but enables easier access to HDC contracts to our local suppliers. It also gives HDC an enhanced ability to exercise better sustainability options and environmentally sound judgement in accordance with the Social Value Act 2012.
- 5.2 This change will align us with many other councils which have adopted higher thresholds, and South Cambs District Council (with whose advice and support this paper was written) are considering adopting these same threshold amendments. Further, this will enable a more streamlined working partnership with colleagues at SCDC and eventually Cambridge City Council, notably on joint procurement exercises which are increasingly common, through the various 3C shared services, particularly in tech. This will become increasingly important as we seek creative opportunities to share resource and make efficient use of expensive expertise in a new economic reality.

5.3 By aligning, insofar as practicable, our policies in common areas, our shared expert resource can expend less energy on remembering which set of rules any project or programme is working to, plus it further enables joint procurement across councils (such as the new HR system).

6. LIST OF APPENDICES INCLUDED

Appendix 1 – Other Councils' Thresholds & Barriers to SMEs
Appendix 2 – New Code of Procurement

7. BACKGROUND READING

- South Cambs Review of Barriers to Council Procurement for Small and Medium-Sized Enterprises Task and Finish Group (available upon request)
- Public Procurement form 1 January 2021 (available at [this webpage](#)).

CONTACT OFFICER

Name/Job Title: Justin Andrews Assistant Director (Corporate Services)
Email: Justin.Andrews@huntingdonshire.gov.uk

Appendix 1

OTHER COUNCILS' THRESHOLDS

Where two numbers are quoted, this is for Supplies/Services and Works respectively

Council	Lower / estimate	Mid – 3 quotes	Tender	EU	
Local					
South Cambs	<£5k	<£25k	£25k to EU	EU Threshold applies universally	
East Cambs	<£5k	<£25k	£75k to EU		
Cambridge City	<£5k	<£25k	£100k to EU		
Cambridgeshire County	<£2k	<£25k	£100k to EU		
Fenland	<£5k / <£10k	<£25k / <£100k	£25k to EU		
National					
Chichester	<£10k	<£50K	<EU		
Folkestone	<£10k	<£100k	<EU		
Worcester	<£5k	<£50k	<EU		
Derby		<£100k	<EU		
Richmond	<£1,500	<£50k	<EU		
Salford		<£75k	<EU		

BARRIERS TO SMEs

There are several recommendations in this report, which are readable across to HDC. However, most require a dedicated Procurement officer which we are in the process of seeking to hire. The recommendation in this report, which is addressed by here is:

An issue has been identified with regard the impact that the Council's procurement thresholds have on the ability of local SMEs to successfully tender for Council contracts and, as a result, their willingness to submit applications.

DATA FROM SOUTH CAMBS PROCUREMENT EXERCISE

Existing Model	2018	Officer Time		2019		Officer Time
	Vol	Days		Val		Vol
Tenders 25k +	17	144	£5,873,792	26	£410,390,765	250
3 Quotes 5k to 25k	8	15	£114,076	12	£162,391	22
Single Quote upto 5k	2	1	£7,349	0	£0	0
Total	27	159	£5,995,217	38	£410,553,155	272
Revised Model (Tenders 50k, Quotes from 10k)	2018	Officer Time		2019		Officer Time
	Vol	Days		Val		Vol
Tenders 50k +	9	91	£5,580,326	17	£410,049,918	190
3 Quotes 10k to 50k	13	24	£378,757	16	£474,543	29
Single Quote upto 10k	5	2	£36,134	5	£28,695	2
Total	27	117	£5,995,217	38	£410,553,155	222

Revised Model (Tenders from 75k, Quotes from 10k)	2018	Officer Time		2019		Officer Time
	Vol	Days	Val	Vol	Val	Days
Tenders 75k +	4	58	£5,272,588	11	£409,646,931	151
3 Quotes 10k to 75k	18	33	£686,495	22	£877,530	40
Single Quote upto 10k	5	2	£36,134	5	£28,695	2
Total	27	93	£5,995,217	38	£410,553,155	193

Appendix 2

Proposed (new) Code of Procurement with tracked changes for ease of consumption.

Huntingdonshire District Council

CODE OF PROCUREMENT

~~April 2019~~ February 2022

CODE OF PROCUREMENT

1. INTRODUCTION

- 1.1 The Code of Procurement defines the regulatory and legal framework for procurement. It has been adopted in accordance with the requirements of Section 135 (2) of the Local Government Act 1972.
- 1.2 Throughout the Code, reference to Manager shall mean ~~Managing-All Directors, Corporate Director,~~ Heads of Services or Budget Manager as appropriate. A Manager shall be responsible for procuring all goods and services that require the quotation or tender procedures as set out in this Code to be followed.
- 1.3 No **Officer** shall procure any goods or services valued at £5,000 or more unless they have attended training provided by the Procurement Manager and consider themselves to have such detailed knowledge and understanding of this Code and how it shall be applied in respect of the total value of the procurement being considered.
- 1.4 This Code applies to the procurement, commissioning, hire, rental or lease of -
- ◆ land and buildings, roads or other infrastructure;
 - ◆ vehicles or plant;
 - ◆ equipment, furniture and fittings;
 - ◆ construction and engineering works;
 - ◆ information and communication technology - hardware and software;
 - ◆ goods, materials and services;
 - ◆ repairs and maintenance;
 - ◆ consultants, agents and professional services.
- 1.5 This Code does not apply to purchases made from internal management units or 3Cs partners.
- 1.6 The Code also applies to the disposal of assets and goods by the Council. Where the appropriate Manager estimates that the assets or goods to be worth less than £1,000, then the goods or assets may be donated to a recognised Charity. If disposal to Officers is proposed, then the goods or assets shall be advertised internally to all Officers and sealed bids sought. Where the value is estimated as exceeding £1,000, fair market value must be sought.
- 1.7 The Council includes the Cabinet, Panels, Committees or other body or person(s) acting in accordance with delegated authority on behalf of the Council.
- 1.8 All procurements or sales made by or on behalf of the Council shall comply with this Code, subject to any overriding requirements of the Council's Rules of Procedure or Code of Financial Management or British or European Union law or regulation or applicable Crown Commercial Services' Procurement Policy Notices.
- 1.9 Throughout the Code, reference to contractor(s) or sub-contractor(s) shall mean any person, company or supplier who has -

- (a) requested to be on an approved or ad-hoc approved list of tenderers; or
- (b) been approached to provide a quotation or tender; or
- (c) provided a quotation or tender; or
- (d) been awarded a contract in accordance with the provisions of this Code.

1.10 ~~The Corporate Director (Services) Risk and Controls Group shall annually review all the financial values contained in the Code to take account of the impact of inflation and make any recommendation for .The Corporate Director (Services) shall inform all Managers of any amendments to the values prior to the 1st April from which they shall be operative. Any approved changes will be communicated to Managers via the appropriate channels on a timely basis.~~

2. REPORTING AND ADVERTISING

~~2.1 Heads of Service shall provide the Procurement Manager details of new or additional requirements likely to meet or exceed £100,000 as they arise.~~

2.2 ~~The Public Procurement Regulations 2015 (Statutory Instrument no. 102 2015), as amended The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 SI 1319 ("PP Amendment Regulations 2020")-requires that contracts above EU the WTO threshold are advised in the UK e-notification service" – Find a Tender Service Official Journal of the European Union, and that any contract opportunity above £25,000 is advertised in the Cabinet Office's portal "Contracts Finder". For requirements estimated as above £5,000 Managers shall advertise in the Contracts Register where needed to stimulate competition and obtain best value. There is no requirement to advertise competitions run using frameworks or approved lists.~~

2.3 ~~Public Procurement Notice (PPN) 03/15) now states: Publishing contract opportunity advertisements and contract award information on the new Contracts Finder portal (regulations 106 and 110) Contracting authorities must ensure that when they advertise a new procurement opportunity above certain thresholds, that the advert is placed on the new national Contracts Finder portal. <https://www.gov.uk/contracts-finder> This website must be used in addition to, or instead of any local or regional portals currently being used. Authorities must subsequently ensure that contract award information is placed on Contracts Finder once the contract is awarded. The thresholds are as follows: Central Contracting Authorities: £10,000 Sub Central Contracting Authorities and NHS Trusts*: £25,000 *Note: where existing standing orders in local government are in place that have a higher value for advertising opportunities, the higher value applies rather than £25,000.~~

Media	Threshold		
	Supplies and Services	Works and Concessions	Light Touch Regime Services
Contracts Register	£ 105 ,000	£ 510 ,000	£ 510 ,000
Contracts Finder	£ 250 ,000	£ 250 ,000	£ 250 ,000
Official Journal of the European Union (OJEU) Find a Tender Service	£ 181,302	£ 4,551,413	£615,278

(1 January 2018)

3. 'BEST VALUE' AND SOURCING POLICY

3.1 The Council seeks 'Best Value' in all procurement activity. 'Best Value' being:

- ◆ The opportunity to obtain leverage (better prices and) for volume.
- ◆ Transparent and efficient procurement processes. ◆ Appropriate social, environmental and equality outcomes ◆ Regulatory compliance.
- ◆ Minimum procurement overhead.

3.2 Achieving 'Best Value' needs valid competition and valid competition is dependent on the existence of an 'open' market with the selected contractors having the interest, capability and capacity for the work or business being offered.

Wherever possible a minimum of three competitive tenders or quotations shall be sought. In selecting contractors to provide a tender or quotation Managers shall ensure that wherever possible -

- (a) the selection process used is fair and equitable, and that no favouritism is shown to any one contractor (e.g. the requirement is not an extract of a contractor's product specification).
- (b) checks are made to ensure that contractors are interested in this type of business;
- (c) repeat or 'automatic' invitations to the 'same' contractor or group of contractors are avoided, particularly where previously invited to bid and had failed to do so;
- (d) 'new' contractors are sought and invited to tender or quote;
- (e) the geographic area of the search for potential contractors is widened; and
- (f) 'no-bids' are checked for the reasons for a contractor's failure to bid.

3.3 Sourcing policy is determined by the needs of 'Best Value' and in order of preference is:

- (a) Adopted catalogues or framework contracts. An adopted catalogue or framework is the preferred contract for the Council's business within a defined category (a type or group of goods or service). The Procurement

Manager shall make available adopted catalogues or framework contracts on the [TechOne FMS](#) or publish details of the contract or framework in Procurement Protocols & Guidelines. Managers shall ensure that orders for such categories are placed through the [TechOne FMS](#) using appropriate 'adopted' catalogue or framework contract. The Procurement Manager shall keep under review the continued suitability of any such catalogues, contracts or framework agreements.

- (b) Collaborative procurements with other public bodies or authorities.
- (c) Council let corporate contracts.

3.4 Some categories are managed corporately by specialist areas. The Procurement Manager shall provide a list of specialist categories and Managers shall ensure all requirements for such categories are referred to the relevant specialist.

Market Sounding

3.5 Market engagement is encouraged to help achieve Best Value though trying to understand the market, the suppliers, their business models and their costs

3.6 Supplier Meetings/Briefings. To avoid the risk of unfair competitive advantage, any such meeting should be structured as an open event; all questions and answers recorded and with a minimum of 2 officers present. If pre-competition a minimum of 3 suppliers shall be invited and during a competition, all participating contractors shall be invited.

4. METHODS OF ORDERING

4.1 All orders shall be placed through one of the following recognised methods:

- ◆ A purchase order raised on the TechOne Financial Management System (FMS).
- ◆ A procurement card order.
- ◆ A manual purchase order.

4.2 Where there is an exception requirement and the relevant ~~Corporate Director or Head of Service~~Senior Leadership Team member considers that the work is of an emergency nature necessary to enable the service to continue and none of the ordering methods are suitable, an alternative method may be used. The relevant Corporate Director or Head of Service shall record the details of the exceptional requirement and the action taken must be recorded for future audit purposes.

5. CONTRACTS REGISTER

5.1 In compliance with the Local Government Transparency Code 2013, Managers shall keep a record using the Contracts Register, for all tenders and quotes greater than £510,000 (and subsequent contract extensions); of:

- ◆ the reasons (if appropriate) for not advertising on the Council's 'Latest Opportunities' internet site;
- ◆ all those contractors that were requested to quote or tender;

- ◆ the reasons why those particular contractors were selected to quote or tender;
- ◆ if applicable, the reasons why less than three contractors were selected to quote or tender;
- ◆ if the selected contractor is a Small or Medium Enterprise, voluntary or third sector organisation or charity;
- ◆ if the selected contractor is VAT registered;
- ◆ contract renewal date (if appropriate);
- ◆ summary details of a single tender/quote (if appropriate), and
- ◆ file or other reference to the contract and location of the documents and contract.

5.2 Any procurement estimated to exceed £100,000, which is not covered by the exceptions in paragraph 6 below, must be referred to the Procurement Manager before the procurement process is commenced. If a Manager does not wish to accept the Procurement Manager's advice on any significant aspect the matter will be determined by the relevant Corporate Director. The discussion will cover:

- ◆ Scope and objectives of the procurement;
- ◆ Budget and costing;
- ◆ Tender methods;
- ◆ Product and market information;
- ◆ Timescales; and ◆ Deliverables.

5.3 Where there is no adopted contract or framework, Managers shall, wherever practicable, seek to maximise contract values with other Managers to secure lower costs. The Council nevertheless wishes to balance the effort of going to the market with the effort and efficiency of the procurement process. Managers after determining the proposed contract's total value shall then follow one of the procurement procedures detailed below. These procedures shall be used in all procurements or sales bar those exceptions at paragraph 6.

	Procedure	Estimated Total Value of Procurement	Requirement
(a)	Estimate	Up to £ 100 5,000	At least 1 written estimate or offer (email, web or paper) shall be sought and recorded.
(b)	Request for Price (Informal Quote)	£ 100 5,000 up to £ 250 0,000	At least 3 written estimates or offer (etendering, email or headed paperwork) shall be sought.

(e)	Request for Quote (Formal Quote)	£25,000 to £100,000	Formal quotations sought from all contractors expressing interest following advertisement in accordance with paragraph 2.2. A formal written contract prepared in accordance with paragraph 13.1(f) if justified by potential risk or specialist subject matter.
(d) (c)	Tender	£ 10 50,000 to EU Procurement Threshold	Competitive tenders shall be obtained using one of the tendering options in this Code, and a formal written contract prepared in accordance with paragraph 13.1(f).
(e) (d)	EU-WTO tender	The WTO EU Threshold and above	The appropriate EU-UK procurement directive shall be complied with.

5.4 Total value is the cost of all elements of the procurement (e.g. installation, testing, training, maintenance, etc). The Manager shall ensure that a procurement is not split or otherwise disaggregated and may choose to competitively tender requirements less than £100,000.

5.5 A Manager shall not invite quotations or tenders from any contractor or subcontractor who has participated in the preparation of documentation or were involved in other preparatory work for the contract, unless they have, in writing, explained to the Monitoring Officer why this does not constitute an unfair competitive advantage or a conflict of interest and obtained agreement, in writing, that the contractor/sub-contractor may compete in the quote/tender process.

6. TENDER AND REQUEST FOR QUOTATION PROCEDURES

6.1 **Exceptions.** Nothing in this Code shall require tenders/quotes to be sought: -

- (a) for purchases made from a Public Purchasing Body (ESPO, PRO5, Crown Commercial Service) where:
 - ◆ there is a single supplier 'call-off contract' or catalogue created with fixed prices, or
 - ◆ the contract is created to our requirements;
- (b) for purchases through local authority, government body or agency, police, health or other similar public authority, where the procurement rules of that organisation have been approved by the Procurement Manager and the contract is created in co-operation, agreed joint requirements or partnership;
- (c) for purchases made at public auction.

6.2 Provided that a compliant procurement process is underway a contract may be extended to complete procurement and contract negotiations by up to 3 months subject to agreement of the Procurement Manager.

6.3 **Single Tenders/Quotes.** All single tenders/quotes shall be reported to and recorded by the Procurement Manager in a register kept for that purpose.

6.4 **AD / Head of Service Approval.** An AD-Head of Service can approve a single tender/quote:

- (a) if the Head of Service considers that the work is of an emergency nature or is necessary to enable the service to continue and is reported to the next meeting of Cabinet.
- (b) for ongoing maintenance of propriety IT systems or where work to be executed or goods, services or materials to be supplied consist of repairs to or the supply of parts of existing proprietary machinery, equipment, hardware or plant and the repairs or the supply of parts cannot be carried out practicably by alternative contractors provided: ♦ there is evidence that it is a propriety system;
 - ♦ the initial contract award was compliant with this Code;
 - ♦ the renewal is for a period not greater than 4 years (this is the time interval ~~the EU uses~~ used to calculate contract value for ongoing contracts);
 - ♦ the total ongoing value does not exceed the WTOEU threshold.
- (c) where a single expression of interest is received for a competition run in accordance with the quote procedures (paragraphs 5.3 (a) & (b)) provided that:
 - ♦ a clear description of the requirement has been advertised (paragraph 2.2) for an adequate period;
 - ♦ the sole prospective supplier is kept unaware of their status; ♦ the process for seeking the quote is compliant.
- (d) where a new extension is proposed to a contract awarded under quote procedures (paragraphs 5.3 (a) & (b)) provided:
 - ♦ the value of the proposed and all previous extensions to the contract are:
 - a. not greater than 10% of the advertised requirement for goods and services, or
 - b. or not greater than 15% of the advertised requirement for works;
 - ♦ the extension does not materially change the nature of the contract; ♦ the initial contract award was compliant with this Code.
 - ♦ the extension is recorded in the Contracts Register.
- (e) where the AD/HoS considers a single quote is in the Council's best interest and:
 - ♦ the total value is less than **£25,000**; and
 - ♦ the details and justification are reported to the next ~~quarterly~~ Corporate Governance Committee.

- 6.5 **Monitoring Officer Approval.** An AD/Head of Service after consulting the Monitoring Officer may obtain a single tender or quotation when no satisfactory alternative is available:
- (a) Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available.
 - (b) Specialist consultants, agents or professional advisers are required and
 - ◆ here is no satisfactory alternative; or
 - ◆ evidence indicates that there is likely to be no genuine competition; or
 - ◆ it is in the Council's best interest to engage a particular consultant, agent or adviser.
 - (c) Products are sold at a fixed price, and market conditions make genuine competition impossible.
 - (d) With the Monitoring Officer's agreement, considers that it is in the Council's best interest in negotiating a further contract for works, supplies or services of a similar nature with a contractor who is currently undertaking such work and is reported to the next meeting of cabinet.
 - (e) For reasons of interoperability/interchangeability or substantial duplication of costs.

6.6 If the single quote/tender option is used, the Manager shall:

- (a) seek approval of the Monitoring Officer; and
- (b) retain records that demonstrate that the best price or value for money has been obtained from the negotiations with the contractor.

7. LIST OF APPROVED TENDERERS

7.1 Tenders shall be invited from at least three contractors selected from an approved list established in accordance with this paragraph of the Code. Vetting is not normally required as the contractor was vetted to join the list.

7.2 The Council uses 2 types of list of approved contractors:

- (a) Third party vetted lists of contractors that are compiled and maintained by an external organisation. Only external organisations approved by the Procurement Manager, after consultation with other relevant Manager(s) shall be adopted. The Procurement Manager shall ensure that the external organisation and approved list of contractors is detailed in Procurement Protocols & Guidelines.
- (b) Ad-hoc list of approved tenderers. If a Manager believes that the approved list of tenders does not allow him to obtain sufficient competition for 'Best Value', the Manager shall write to the Procurement Manager seeking approval to source additional contractors or create an ad-hoc list of approved tenderers.

7.3 Subject to approval as required in paragraph 7.2(b) the Manager shall:

- (a) issue a public notice inviting applications for inclusion on a specific approved list for the supply of goods, services or materials.
- (b) vet (as detailed at paragraph 9.1) all contractors replying to the public notice or who have requested within the previous 12 months to be considered for work of a similar nature;
- (c) only include contractors satisfactorily completing the checks;
- (d) tell all potential suppliers how the approved list operates
- (e) ensure the ad-hoc list shall only be used for seeking tenders for the supply of goods, services or materials specifically detailed within the original public notice;

7.4 The Procurement Manager in conjunction with the relevant Managers shall review the continued suitability of any List of Approved Tenderers periodically and at least prior to the third anniversary of its initial or further adoption.

8. FRAMEWORKS

8.1 All contractors on the framework (or lot if split into lots) shall be invited to submit a tender or quotation unless:

- (a) the framework explicitly permits direct award;
- (b) the proposed award is less than the tender threshold (£100,000); and
- (c) the Head of Service can show both objective reasons for the selection of a supplier and evidence of best value.

8.2 No public notice is required and general Terms & Conditions are set in the original framework contract but additional Terms & Conditions specific to the requirement may be permitted. Vetting is not normally required as the contractor was vetted as part of the original framework competition.

8.3 When advertising any contract or framework, Managers shall name any wholly publicly owned Local Authority Trading Company (LATC) if relevant to the contract. (eg: "~~Huntingdonshire Ventures~~").

9. COMPETITION

9.1 Shortlisting and Restricted Tenders

- (a) Restricted (shortlisting) tenders are not permitted for competitions below the EU-WTO threshold.
- (b) Where allowed, the Manager shall undertake sufficient vetting to ensure that all contractors:
 - ◆ comply with minimum standards of Insurance;
 - ◆ have the necessary Health & Safety policy and performance and (where applicable) membership of the Contractor's Health and Safety Scheme or equivalent health and safety standard;
 - ◆ are financially viable based on a risk based assessment;
 - ◆ have an appropriate environmental policy; ◆ comply with equalities legislation and policy; and ◆ possess the experience and capacity required.

- (c) The Procurement Manager shall provide an appropriate questionnaire for the purpose of vetting contractors.

9.2 Open Tenders/Quotes

- (a) Provided the Manager complies with paragraph 2.2 and is satisfied that Expressions of Interest received represent contractors with genuine interest and capacity, then no further public notice is required. Otherwise public notice may be given in one or more newspapers and/or in an appropriate trade journal. The notice shall state the nature and purpose of the contract, where further information and documentation can be obtained, and state the closing date for the process.
- (b) An Invitation to Tender (ITT) or Request to Quote (RFQ) shall be sent to all contractors expressing an interest. ITTs and RFQs may include an appropriate suitability questionnaire. The Procurement Manager shall provide a suitable questionnaire.

9.3 Invitations to Tenders (ITT) and Requests for Quotations (RFQ)

Managers shall ensure that all ITTs and RFQs include;

- (a) approved contract terms in accordance with paragraph 13.1 of this Code;
- (b) a clear statement that explains if the bid is to be evaluated on the basis of the most economically advantageous tender (best value).

9.4 Evaluation Criteria

Except where the Cabinet decides otherwise, all formal quotations or tenders that are being sought shall:

- (a) state explicitly all essential/mandatory/minimum requirements or award criteria. Any single failure or non-compliance with these requirements or criteria will result in rejection of the tender;
- (b) list all desirable award criteria together with specific weightings applied to each; and
- (c) if appropriate, include a requirement for a performance bond and liquidated damages.

9.5 Social Value

All tenders that are being sought for services or works shall include a relevant social value requirement, such as:

- (a) employment measures:
 - ◆ new work opportunities including work experience, training and apprenticeships,
 - ◆ back-to-work support (interviews skills, CV advice, and careers guidance),

- ◆ employment of disadvantaged groups (care leavers or ex-military or ex-offenders).
- (b) community measures (including assisting community, voluntary and third sector groups) by:
 - ◆ contributing practical business support (eg: financial, legal, HR advice, etc).
 - ◆ providing access to facilities and premises
 - ◆ supporting the creation of new volunteering opportunities (c)
 - promoting environmental sustainability:
 - ◆ improved environmental performance including low energy and water
 - ◆ reducing the amount of waste generated
 - ◆ the elimination (or reduced consumption) of substances hazardous to health,

5% of the marks available to any tender shall be for social value, provided the social value benefit is relevant to the subject matter of the contract and delivered within the District.

9.6 Non-Traditional Procurement

If a Manager believes that by following one of the procurement procedures detailed in paragraph 9 above that the procurement process will not provide him with the most appropriate method of delivery, the most competitive prices, allow for continuous improvements in delivery, or stifle innovation, then they may suggest alternative procurement strategies.

The Manager shall produce in accordance with guidance issued by the Procurement Manager and prior to proceeding with the procurement, a written acquisition strategy that shall be approved by the Monitoring Officer and the Cabinet.

10. SUB-CONTRACTS AND NOMINATED SUPPLIERS

10.1 Quotations or tenders for sub-contracts to be performed or for goods, services or materials to be supplied by nominated sub-contractors shall be invited in accordance with this Code.

10.2 The relevant Manager is authorised to nominate to a main contractor a subcontractor whose quotation or tender has been obtained in full accordance with this Code.

11. RECEIPT AND OPENING OF TENDERS AND QUOTATIONS

11.1 Contractors shall be notified that tenders or formal quotations are invited in accordance with this Code. No tender or formal quotation will be considered unless -

- (a) it has been received via the e-tendering 'sealed quote' facility; or
- (b) it is contained in a plain envelope/packet which shall be securely sealed and shall bear the word "Tender" or "Quotation", the Unique Reference Number (URN) from the Contracts Register; and the envelope shall not bear any distinguishing matter or mark intended to indicate the identity of the sender. Such envelope shall be addressed

- ◆ impersonally to the 3Cs Head of Legal Practice if it contains a "Tender", or
 - ◆ the appropriate Manager if it contains a "Quotation"; or
- (c) RFQs (Formal Quotations) may be sent electronically to a specific e-mail address, ~~which the appropriate Manager shall obtain from the IMD Service Manager. The IMD Service Manager shall ensure that the e-mail address is secure.~~
- 11.2 All Officers shall comply with the procedure note 'Procedure for the Receipt of Tenders and Formal Quotations' which can be found on the Procurement internet pages.
- 11.3 All tenders or quotations upon opening shall be recorded in writing on either a tender or quotation opening record unless the [e-tendering system](#) or Contracts Register is being completed contemporaneously. The format of the opening record shall have been previously agreed with the Monitoring Officer and 3Cs Head of Legal Practice.
- 11.4 Any tenders or quotations received after the specified time may in exceptional circumstances be accepted by 3Cs Head of Legal Practice, otherwise they shall be returned promptly to the contractor by the 3Cs Head of Legal Practice or his nominated officer in respect of tenders, or by the appropriate Manager or his nominated officer in respect of a formal quotation.
- 11.5 Late tenders shall be rejected once any other tender/quotation has been opened. The tender or quotation may be opened to ascertain the name of the contractor but no details of the tender or quotation shall be disclosed.

12. ACCEPTANCE OF TENDERS AND QUOTATIONS

- 12.1 The appropriate Manager shall evaluate all the tenders or quotations received in accordance with the award criteria set out in the bid documentation and shall accept, subject to the provisos set out in this paragraph, the most economically advantageous tender or quotation, as evaluated against the award criteria.
- 12.2 Tenders or quotations exceeding the approved estimate may only be accepted once approval to further expenditure is obtained.
- 12.3 If the most economically advantageous quotation exceeds £100,000 but -
- (a) is within 15% of the original estimate and budget, the appropriate Head of Service may accept the quotation without seeking further competition; or
 - (b) is in excess of 15% of the original estimate then the Head of Service shall consult the Procurement Manager and obtain the approval of the Monitoring Officer that the quotation can be accepted otherwise a competitive tender exercise in accordance with paragraph 9.1 above shall be carried out.
- 12.4 A tender or quotation shall not be accepted -
- (a) where payment is to be made by the Council and it is not the most economically advantageous tender or quotation in accordance with the award criteria set out in the tender or quotation documentation; or
 - (b) if payment is to be received by the Council and the tender or quotation is not the highest price or value; (c) unless -

- ◆ the Cabinet have considered a written report from the appropriate Head of Service/Service Manager, or
- ◆ in cases of urgency, the Monitoring Officer has consulted and obtained the approval of the relevant executive councillor. Tenders or quotations accepted in this way shall be reported by the appropriate Manager to the next meeting of the Cabinet.

12.6 Arithmetical Errors and Post-Tender Negotiations

- (a) Contractors can alter their tenders or quotations after the date specified for their receipt but before the acceptance of the tender or quotation, where examination of the tender or quotation documents reveals arithmetical errors or discrepancies which affect the tender or quotation figure. The contractor shall be given details of all such errors or discrepancies and afforded an opportunity of confirming, amending or withdrawing his offer.
- (b) Post-tender negotiations shall not be used to degrade the original specification unless:
 - ◆ the capital or revenue budget is exceeded; or
 - ◆ other special circumstances exist;
 - ◆ in which case the Monitoring Officer and Procurement Manager shall decide which of those contractors who originally submitted a tender or quotation shall be given the opportunity to submit a further bid based upon a degraded specification. This decision shall be recorded in writing.
- (c) In evaluating tenders, the appropriate Manager may invite one or more contractors who have submitted a tender to submit a revised offer following post-tender negotiations.
- (d) All post-tender negotiations shall:
 - ◆ only be undertaken where permitted by law and where the appropriate Manager and Monitoring Officer and 3Cs Head of Legal Practice consider additional financial or other benefits may be obtained which over the period of the contract shall exceed the cost of the post-tender negotiation process;
 - ◆ be conducted by a team of officers approved in writing by the Monitoring Officer and 3Cs Head of Legal Practice;
 - ◆ be conducted in accordance with guidance issued by the 3Cs Head of Legal Practice; and
 - ◆ not disclose commercially sensitive information supplied by other bidders for the contract.
- (e) The appropriate Manager shall ensure that all post-tender negotiation meetings are properly minuted with all savings and benefits offered clearly costed. Following negotiations but before the letting of the contract, amendments to the original tender submitted shall be put in writing by the contractor(s) and shall be signed by him.

13. TERMS OF BUSINESS AND THE FORM OF CONTRACTS

- 13.1 All orders less £100,000 placed by the Council shall be on the Council's Standard Terms and Conditions (T&Cs) except for:-
- (a) Any purchase at a public auction.
 - (b) Any framework or contract formally adopted by the Council.
 - (c) Purchasing Agency (e.g. ESPO, Crown Commercial Service) arranged contracts and orders.
 - (d) Orders of a total value of less than £ 25,000 where the goods or service are purchased on a 'retail' basis on terms available to the general public.
 - (e) Orders for software where the licence is for a 'standard' product but not where any form of modification, customisation, development or on-site service is required for the 'standard' product.
 - (f) Where agreed by the Procurement Manager that there is potential detriment to performance, cost or delivery; or the procurement relates to a specialist category (eg: works, IT, professional services, concessions).
- 13.2 Any contract where the estimated total value exceeds £100,000 shall be in writing in a form agreed by the 3Cs Head of Legal Practice. Managers shall ensure that advice of the 3Cs Head of Legal Practice is sought at a stage as early as practicable (normally before the issue of an Invitation to Tender).
- 13.3 Managers shall not use Contractor's documentation to order, acknowledge, instruct to proceed or make any other commitment where the documentation makes any reference to the Contractor's T&Cs. Except where permitted at paragraph 13.1, if a contractor formally insists on trading on T&Cs other than the Council's T&Cs, the Procurement Manager shall be informed.
- 13.4 In the case of any contract likely to exceed £100,000 for the execution of works or for the supply of goods, services or materials, the Manager after consulting with the Procurement Manager and the Monitoring Officer shall consider whether the Council should require security for its due performance and shall either certify that no such security is necessary or shall specify in the specification of tender the nature and amount of the security to be given. In the latter event, the Council shall require and take a bond or other sufficient security for the due performance of the contract.
- 13.5 Managers shall produce the final version of all contracts in 2 copies. Where the total value of a contract exceeds £100,000 both copies shall be presented to the Head of Resources for signature. Once signed by the contractor, the signed contract, all original documents, including specifications, drawings, tender documents and correspondence relating to shall be forwarded by the 3Cs Head of Legal Practice. Where the total value of the contract is less than £100,000 the relevant Manager shall make arrangements for the retention of all the original documentation.
- 13.6 Managers shall maintain a record (in the form detailed in the Procurement Protocols & Guidance) for their area of each contract or agreement (both written and verbal agreements).
- 13.7 Managers shall include one of the specific T&Cs listed in the Procurement Home Page in all contracts. Where a Manager considers a term or condition inappropriate

they shall seek advice of the 3Cs Head of Legal Practice on the modification or deletion of the term or condition.

14. LETTERS OF INTENT

14.1 Letters of intent provide a contractor with the authority to proceed prior to the award of a contract. However, letters of intent have two main disadvantages:-

- (a) if the contract is not awarded the contractor is entitled to payment regardless as to whether the work was actually needed;
- (b) the Council's negotiating position is weakened as the contractor may believe actual award of contract is a formality and therefore, the contractor may refuse to accept conditions that are seen as disadvantageous.

14.2 Managers shall ensure that:-

- (a) all letters of intent are in a form approved by the 3Cs Head of Legal Practice; and
- (b) all letters of intent are signed by the appropriate Budget Manger with sufficient authority for either the value of the intended contract or the estimated value of any 'extension' period defined in the letter of intent if below £100,000 , otherwise by the Head of Resources.

15. POST-COMPETITION DEBRIEFS

15.1 For all contracts greater than £250,000, Managers shall maintain records of selection and evaluation scoring and where requested by participating suppliers, provide a suitable post-tender debrief in writing. For contracts greater than £100,000 , unsuccessful tenderers shall be advised in writing of the winning supplier, the value of the contract awarded and the strengths and weaknesses of their tender and the advice of the Procurement Manager shall be sought on the format and scope of the debrief.

16. PUBLISHING CONTRACT AWARDS

16.1 Contract Award Notices shall be published within 90 days of contract award in the appropriate online system:

- ◆ Contracts Register if greater than £510,000, and.
- ◆ Contracts Finder if greater than £250,000 (including awards under mini-competition using a framework) or if advertised in Contracts Finder, and
- ◆ The ~~Find a Tender Service~~ ~~Official Journal of the European Union~~ if greater than the promulgated ~~EU-WTO~~ threshold.

17. LOCAL GOVERNMENT ACT – COMMUNITY RIGHT TO CHALLENGE

The Local Government Act permits relevant bodies (charities, community bodies, town & parish councils and staff) to submit Expressions of Interest to provide Council services. The Procurement Manager shall maintain and publish a timetable for the submission of

Expressions of Interest. ~~All Expressions of Interest received from relevant bodies should be forwarded to the Policy, Performance and Transformation Manager (Scrutiny).~~

18. RETENTION OF DOCUMENTS

- 18.1 Managers shall ensure that every contract or quotation is assigned the Unique Reference Number (URN) from the Contract Register, which is to be used in all correspondence. Any Division or reference may be included in addition to the URN shall comprise abbreviation for the Division and year. Formal amendments to a contract or order should also be given unique numbers showing the order in which the amendments were made.
- 18.2 Documentation retention periods are dictated by the Statute of Limitations and (where applicable) EU requirements. The following rules apply:-
- (a) retention for 12 years from the date of completion of the contract for contracts made under deed;
 - (b) retention for 6 years from the date of completion of the contract:-
 - ◆ Contract Documents
 - ◆ Hire/Rental Agreements
 - ◆ Successful Tenders
 - ◆ Summary of Tender Opening
 - ◆ Disposal Board papers
 - ◆ All selection and evaluation scoring and reports
 - ◆ Goods Received Notes
 - ◆ HM Customs and Excise Import documentation
 - ◆ Invitations to Tender/Quotation Requests
 - ◆ Maintenance/Software licence agreements
 - ◆ Specifications
 - ◆ Successful Quotations
 - ◆ Suppliers' Advice Notes;
 - (c) retention for 3 years after the last entry:-
 - ◆ Stock and Purchase Record Cards or Registers
 - (d) retention for 2 years after the financial year to which the document relates:-
 - ◆ Unsuccessful Quotations.
 - ◆ Unsuccessful Tenders.

19. FREEDOM OF INFORMATION ACT 2000 (FOIA)

Managers shall ensure that the handling of requests for procurement information complies with the detailed guidance published as Procurement Protocols & Procedures and the general FOIA guidance published by the Council's Freedom of Information Officer.

20. CONFLICTS OF INTEREST

20.1 Where a potential conflict is declared by an officer or otherwise recognised, the HoS shall ensure the relevant company and businesses areas are identified. Other business areas are exempt from the procedure.

20.2 The following procedure is applied according to value:

(a) Low value (less than £100,000)

- ◆ [AD](#)/HoS shall arrange for specifications/evaluation criteria written by the affected officer to be independently vetted;
- ◆ [AD](#)/HoS shall appoint 2 independent officers to evaluations were the relevant company participates; and
- ◆ [AD](#)/HoS shall ensure independent vetting of evaluations were the relevant company becomes the preferred bidder.

(b) High Value (greater than £100,000). Where the relevant company bids or is considered likely to bid the HoS shall ensure participation by the affected officer is limited to providing specialist advice.

20.3 If a conflict of interest becomes apparent once a procurement is underway but before contract award the HoS shall seek the advice of the Procurement Manager and 3Cs Head of Legal Practice on how to proceed. If discovered after contract award, the HoS shall refer the matter to the Monitoring Officer.

21. Interims, Consultants and Contractors

21.1 The Manager responsible for appointing any Interim, Consultant or Contractor (ICC) [deemed to be outside of the IR35 regulation](#) shall:

- (a) if engaged through an agency, provide the agency with any information requested about the role.
- (b) if engaged directly, use the HMRC's online employment status tool to check the ICC's tax status ([IR35](#)) and record the outcome. If the ICC is deemed an employee then HR shall be provided with the details of the engagement.

22.2 If the ICC will be responsible to the Council for the management or supervision of a contract on its behalf, then the Manager shall provide the ICC with a copy of this Code and ensure that it shall be a condition of the engagement that the ICC shall:

- (a) comply with this Code; and
- (b) at any time during the carrying out of the contract produce to the appropriate Manager, on request, all the records maintained in relation to the contract; and
- (c) on completion of the contract transfer all records produced or received that relate to the contract to the appropriate Manager.

22. PROCUREMENT TRAINING

22.1 The Procurement Manger shall create, maintain and arrange the delivery of training for Officers undertaking procurement duties.

22.2 Managers shall ensure that all Officers routinely undertaking purchasing or procurement duties where the gross value of the procurement is **£5,000** or more shall have undertaken appropriate training.

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Progress on Annual Governance Statement
2019/20 Significant Issues

Meeting/Date: Corporate Governance Committee –
26th January 2022

Executive Portfolio: Executive Councillor for Corporate Services
Councillor David Keane

Report by: Deborah Moss, Internal Audit Manager

Ward(s) affected: All Wards

Executive Summary:

The Council's Annual Governance Statement (AGS) includes a list of significant governance issues together with proposed remedial action for each.

This report advises the Committee on the progress made against each of these issues and the action taken to date. This includes update on the 2019/20 AGS issues and additionally the new issues arising from the 2020/21 AGS. It also includes updates on process improvements aimed specifically at managing risk.

Progressive action continues to be taken on the outstanding issues.

Recommendation:

Committee is asked to review and comment upon the action and progress made to date.

1. PURPOSE OF THE REPORT

To advise the Committee on the progress made against the significant governance issues reported in the 2019/20 Annual Governance Statement (AGS).

2. BACKGROUND

The Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS). The purpose of the AGS is to communicate to stakeholders the standards of corporate governance the organisation demonstrates and identify any significant issues that have arisen in year, and what is planned to address these issues.

The AGS reports publicly on the extent to which the Council complies with its own local code of governance. It identifies those areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its commitment to improving lives of all residents and creating opportunity and prosperity for local people and businesses.

This report details the progress made to date on each significant issue.

3. DETAIL

The Final Accounts and AGS 2019/20 were not approved by Committee until January 2021. Ten significant governance issues were highlighted in the AGS together with an action plan to show how each issue was to be remediated.

The Final Accounts and AGS for 2020/21 are yet to be audited and approved. Nine significant governance issues were included in the draft AGS which was approved in July 2021.

The Audit Manager has provided an update, given by officers responsible, on the action taken to date. The significant issues raised in the 2020/21 and 2019/20 Annual Governance Statements are set out in detail in Appendix 1 and progress against each of these is reported there – recording both the last update and the current one.

Action and progress continue to be taken on all issues identified. Those where action is completed and the issue deemed addressed are removed from the future reporting. By way of context, internal process has been tightened and a Risk and Control Board has been created, chaired by the Assistant Director (Corporate Services) to bring into sharper focus the Council's management of risk. The impact of this arrangement is starting to be seen, with clearer accountability within and across service areas for both corporate and service-based issues.

4. KEY RISKS

The significant issues are raised because, without any remedial action, they may impact the governance of the Council.

5. LEGAL IMPLICATIONS

The Council is responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk (Regulation 3 of the Accounts and Audit Regulations 2015).

The Council must carry out an annual review of the effectiveness of its system of internal control which must be considered by the relevant committee. In the light of that review, the Council must produce an annual governance statement which must be approved by the relevant committee in advance of the Authority approving the statement of accounts (Regulations 6 (1), (2) and (4) of the Accounts and Audit Regulations 2015).

6. REASONS FOR THE RECOMMENDED DECISIONS

The report has been requested by the Committee and as such, it needs to decide any further action it wishes to take.

7. LIST OF APPENDICES INCLUDED

Appendix 1 – AGS Governance Significant Issues Updated Action Plan
January 2022

BACKGROUND PAPERS

Annual Governance Statement 2019/20
Annual Governance Statement 2020/21

CONTACT OFFICER

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Appendix 1: AGS Significant Governance Issues Updated Action Plan Jan 2022

AGS Significant Issues 2020.21

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Area of Assurance	Issue / Gap	Action Plan Proposal	Progress @ Jan 2022
ICT Cyber Security (4 x red actions)	<ol style="list-style-type: none"> 1) Staff not provided with adequate cyber-security risk training and awareness. 2) Endpoints with outdated Anti-Virus definitions. 3) Unsupported operating systems in use on the Council's network. 4) Excessive number of Domain Administrator privileged accounts. Audit action (monitored through 4Action): 	<p>All are being addressed through agreed audit actions.</p> <ol style="list-style-type: none"> 1) Audit action (monitored through 4Action): <ul style="list-style-type: none"> • Review to assess content, delivery method and quality of user education programmes for Council's cyber/IT security • Harmonise education packages • Awareness training focussed on phishing and social engineering • Education to users on annual basis and biannual refresher sessions • Mandatory for new starters • Training completion monitored and record maintained. 2) Procedure in place to apply anti-malware signature updates to devices that do not connect to the Councils' IT network on a routine basis. Includes a process to restrict any non-complying devices connecting to the Councils' IT network. 3) Audit action (monitored through 4Action): <ul style="list-style-type: none"> • migration plans of unsupported Windows systems is recorded and tracked to completion. • included within the Council's ICT Risk Register and take steps to decommission these devices as soon as possible. 4) Audit action (monitored through 4Action): <ul style="list-style-type: none"> • Track ongoing reduction of domain administrator accounts • Privileged network accounts reviewed on regular basis to ensure no of accounts controlled. 	<p>Two of the four red-category actions have been implemented. The remaining two are in progress and action is being carried out.</p> <p>All implemented IT actions will be subject to a follow up review by Internal Audit.</p> <p>All overdue outstanding actions are monitored by Internal Audit and reported monthly to SLT.</p> <p>The current and emerging budget includes funding proposals to enhance our cyber security capacity, and respond to these challenges.</p>
Finance – key officer dependency	Critical over-dependency on one key officer Only one professionally qualified officer. No deputy S.151.	New Finance Business Partner recruited will be professionally qualified (CIPFA). Finance Business Partner job role will include Deputy S.151 designation.	<p>Senior Business Finance Business Partner recruited - qualified accountant and our Deputy S.151.</p> <p>Recruitment imminent for new Finance Manager / S.151 Officer.</p> <p>Action completed / Issue resolved.</p>

Role of Chief Finance Officer	CFO position – not sitting at CLT / not part of key decision making		S.151 Officer is now part of the Works Program Board, Corporate Senior Leadership Team monthly meeting and Operations Board (the governance structure). The Interim Finance Manager sits on these groups at senior level and proposals are being considered for the future S.151 role and where this will sit.
ICT Cloud Services (2 x red audit actions)	<p>1) No documented information held about each applications' dependencies which could be used to assess the applications' feasibility for projected migration plans.</p> <p>2) Once applications have been hosted, there is no further risk assessment made to review Audit action (monitored through 4Action):</p> <ul style="list-style-type: none"> • Corporate Applications Roadmap drafted to ensure which applications the councils would migrate to the cloud. <p>Page 173 of 184 effectiveness of the hosted landscape. Additionally, there is no plan to further assess applications where it is currently not appropriate to migrate them.</p>	<p>Audit actions (monitored through 4Action):</p> <p>1) • Determining agree criteria for assessing migration to cloud</p> <ul style="list-style-type: none"> • Defined framework to ensure all potential scenarios factored into the criteria <p>2) • Corporate Applications Roadmap drafted to ensure which applications the councils would migrate to the cloud as well as which must be migrated to the cloud.</p> <ul style="list-style-type: none"> • Management will assess possible dependencies of each system. 	<p>1) A framework has been designed and a workshop to finalise it was scheduled for December but was postponed due to other work priorities.</p> <p>2) ICT Service updates state that this is still being progressed and will be closed off once all priority apps have been identified and a list published.</p>
Towns Programme	Loss of resourcing – the two interim officers are planned to leave in the short term (July & September). First recruitment campaign was unsuccessful; this is being tried again but there is a risk of being unfulfilled and a further risk of no time for a handover period. Capacity & capability risks and issues need to be resolved to continue the programme.	Short term fixes in place and action plan being formulated.	The Strategic Growth Manager acting as both the Senior Responsible Officer and Senior Accountable Officer until the new Director (Place) started; she is now in post. Interim officer contracts extended. Recruitment underway for project manager and project support officer, appointments expected January 2022. Short term solutions implemented using existing staff and long-term resource/skills framework underway.
Accounts Receivable /Debtors Service	This area continues to receive a limited assurance opinion.	Systems, processes and resources needs to be reviewed across the whole Debtors function. An action plan will be established, in conjunction with the team, to support	Debtors and Creditors functions have been combined/rebranded as Credit Control Team. The team is reviewing its working practices and multi-skilling of staff. Resources are being

		delivery of improvements and address the control failings identified during the quarterly reviews.	<p>reviewed and the Transformation Team is being requested to review the working processes.</p> <p>Internal Audit will undertake another review of key controls once the team has implemented changes and improvements.</p>
Project Management	Number of key projects that pre-date new project management processes that are highlighted as failing. The Work Programme spreadsheet shows that some projects are flagging red or amber/red. There are reported issues with governance, non-compliance and cultural issues.	Work Programmes Board to provide updates on actions decided to be taken. All actions to be recorded by Board and monitored for compliance progression.	<p>Governance structures and processes in place, however historic issues still being managed through with two projects. The process is still evolving but initial benefits of achieving greater oversight has largely been successful.</p> <p>All red flag items are raised monthly with issues and recommendations.</p> <p>Progress is reported via quarterly finance and performance reports into Overview and Scrutiny, and then on to Cabinet.</p> <p>Internal Audit plan to review the new governance processes introduced and how they are operating / complied with.</p>
Data Protection Officer (DPO)	The post is recently vacant due to postholder leaving. The DPO is a statutory role. It also covers the other 3Cs authorities under contractual obligation. The Deputy post is also vacant with an Acting postholder, who is not cannot fulfil the DPO role. (A recent recruitment exercise was unsuccessful for the DPO role. Another is planned but, if successful, is unlikely to result in an immediate starter leaving the notice period of x months without a DPO.)	<ul style="list-style-type: none"> • Recruiting to longer term permanent role and short-term temporary cover • Offer of assistance for critical incidents from Peterborough and Cambridgeshire DPO • ICO helpline if needed • Third party legal providers can provide short term cover on an hourly basis if needed 	<p>A permanent DPO has been appointed.</p> <p>Action completed / Issue resolved.</p>
Payment Cards Industry compliance	Non-compliance with some PCI requirements.	<p>Self-assessment to be undertaken to understand any areas of non-compliance and action plan prepared to progress</p> <p>Training of relevant handling staff</p>	HDC's current position is we are working with outside specialists from the NCC Group alongside City and SCDC to document every route to full compliance and then decide on

			<p>the appropriate one. The implications of doing nothing will also be specified.</p> <p>The issue has been referred to the Risk & Controls Group for pursuance.</p>
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AGS Significant Issues 19.20

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Area of Assurance	Issue / Gap	Action Plan Proposal	Progress to Aug 21	Progress @ Jan 2022
Risk Management	RM is not fully embedded and functional within the Council in an effective way. The risk register requires revision and update otherwise it is at risk of being unreliable/unusable.	<p>Service Plans will be redesigned to incorporate risk management.</p> <ul style="list-style-type: none"> • The risk register will be reinvigorated and redesigned before roll-out to Services • Internal audit reviews of top risks highlighted by management • Longer term – potential audit review of RM. 	<p>Service Plan redesigned to incorporate risk management.</p> <p>The Risk & Control team to liaise with Services to update their risk registers. The risk register now reflects current HDC structure, risks entries are to be reviewed and re-dispositioned to validate with assigned owners.</p> <p>Next stage: deep dive with Services to identify and assess their risks</p> <p>Plan to carry out a basic self-assessment of our procedures that reference risk.</p>	<p>A self-assessment exercise of risk at HDC has been carried out.</p> <p>There is still a framework of risk established but the data has been neglected over the past few years, so it cannot be relied upon/used.</p> <p>Findings will help provide an overview of risk awareness and support what needs to be done to reactivate risk management in Services and to embed in processes and culture.</p> <p>The next stage: Services to review and update risk register entries to inform a risk assessment.</p>
Lone working (red action in an audit report):	The Council lacks a corporate lone working procedure that is robust and effective. H&S legislation requires us to protect our employees at work. A lack of	<p>Ownership to be appointed.</p> <ul style="list-style-type: none"> • To investigate lone worker systems that can operate within its 24-hour CCTV function. • A suitable system/procedure to be 	<p>Risk & Controls Board, taken on LW risk as a project</p> <p>New Services Forum, used to further LW progress and advise a refresh of risk assessments of LW</p>	<p>New Lone Worker Policy written and being rolled out to managers, with all officer notice via corporate newsletter. A procurement arrangement is in</p>

	protocol over lone workers could risk employees' safety and a breach of legislation.	implemented to protect all officers who lone work off site. • Internal Audit: follow up review to ensure operation and compliance once installed.	Operations SLT action to all Services update their risk assessments of all lone workers in their Service (deadline 30/09/21). Assessment of overall risk will inform if a corporate LW procedure is required or a Service Based approach is acceptable.	place for personal protection devices for lone working employees. Longer-term, an Audit follow up will be undertaken to assure that procedures are in place. Action completed / Issue resolved.
GDPR (Data Protection Compliance)	Progressive action towards GDPR compliance and monitoring has not been sufficiently robust since the Regulations' effective date. This puts the council at a greater risk of a potential non-compliance with GDPR legislation, a data breach, penalty fine and reputational damage.	Information Governance team has carried out a gap analysis review across the Council. • Work to be done to ensure data protection training and awareness. • A planned Internal audit [follow up] review to assess compliance.	Progression on the gap analysis work and actions are continuing in IG eg work has started on preparation of info asset registers. The IG Manager is providing CGC with a separate update on these actions. (See Table of areas and actions from gap analysis.) IG team has circulated templates to service areas in May for info gathering. The returns will be reviewed by IG from end of July. IG will support service areas in developing treatment plans for working towards continual GDPR compliance monitoring. Analysis carried out has identified the specific areas that are to be monitored for the service areas.	All services have reviewed their Information Asset Registers and the Information Governance team are working with each service to check completeness of information. Services will review their data handling and privacy notices against their asset registers to ensure these accurately reflect the processing being undertaken. GDPR is under review by the new Data Protection Officer; findings will be shared with Internal Audit and Management.
Network Access Management Control (red action in an audit report):	The audit found that user accounts may not be regularly reviewed and monitored (by HR or systems owners) leading to leaver, inactive or dormant accounts.	Agreed that HR management would assign ownership to line managers to review the network accounts that do not match to payroll listing. • Agreed that line managers/Heads of	HR provided ICT with the 65 users that did not match Payroll list with instructions (remain active, delete or further insight). A follow up review of this action is included in the IA Plan 21.22 to ensure that regular checks on staff access rights have been conducted.	HR completed their part of the action although ICT still progressing their processes. There will be a follow up audit later in the financial year.

		<p>Service would perform a regular review of all staff in their service ae going forwards.</p> <ul style="list-style-type: none"> • Progress to be monitored by Internal Audit. 	<p>IA have asked ICT to confirm that corrective action has been taken and user accounts closed where applicable.</p> <p>ICT to set up regular review process to check users still current and prevent further issues supported by a leaver's notification process to ICT.</p> <p>ICT have a process to identify accounts not accessed for a x days.</p> <p>ICT to confirm if gone back to the Service Managers to confirm if the users are supposed to be active or not. ICT still to check if this can be done, as unsure if user accounts had departments against them.</p>	
Delivery of capital Schemes	<p>An audit review found that there several issues relating to governance, capability, capacity and delivery, and commissioning.</p>	<p>Appointment of a Programme Delivery Manager took place in 2020.</p> <ul style="list-style-type: none"> • Many programmes and projects are already underway • Internal Audit to carry out a follow up review. 	<p>Programme Delivery Manager undertook a full Project Management Delivery Audit in Sep; findings and recommendations to mitigate risks highlighted presented to WP SLT Board. PDM has established a Steering Group to review tools and processes and introduced a Gateway Assurance Review process for Projects and programmes.</p> <p>Board/SLT agreed that PMD at HDC is not working. Agreed a task force should be set up to look at the way forward; it will be a task and finish group.</p> <p>PMD has set up and is working with our partner PMOs to continue and develop our Knowledge Transfer Networks. PDM at HDC will need to be a watching brief, to ensure governance is not diluted which may impact on current risk mitigation plans.</p>	<p>Project Management update provided above in 2020.21 table.</p>

			<p>*</p> <p>Follow up Internal Audit review undertaken in June 2021:- Processes are being applied to new projects / capital schemes from 2021/22; need to consider written guidance and training for staff, and arrangements for managing non-delivery. Due to infancy of changes, it was not possible to fully assess the new control framework nor undertake any formal compliance testing to assess the degree to which changes have been applied and adhered to. Based on what is being proposed, Audit provided a reasonable level of assurance that concerns previously reported are being addressed, and that exposure to risk in this area should reduce.</p>	
Audit reports Outstanding	Difficulty in obtaining replies by Services to draft audit reports. These reports highlight weaknesses and risks found in a system and if they remain not responded to and no actions are implemented to address the risks, then the risks potentially remain and assurance cannot be given.	<p>Audit Manager has advised senior management of such outstanding reports.</p> <ul style="list-style-type: none"> • A new Risk & Controls Board has been developed which will formally reports these issues to Corporate SLT for action. 	<p>A list of outstanding reports has been formally reported by the R&C Board to Corporate SLT for action. Progress to finalise and close outstanding reports; surge effort by IA via escalation to Corporate Leadership level improved response.</p>	Outstanding reports/actions monitored and progressed by Internal Audit and Assistant Director. Formal escalation routes opened to Senior Leadership Team.
Information Governance Training	The ability to monitor which staff have completed which training courses needs improvement. Decisions on mandatory training and frequency of courses needs to be decided. There is a risk that employees may not have sufficient training or awareness.	<ul style="list-style-type: none"> • New Information Governance Manager in post • IT and IG policies are being reviewed • IG training modules are being reviewed • Ownership of training attendance to be assigned • A system for monitoring all training 	<p>Policies are being reviewed. IG training modules have been reviewed. HR are due to roll out these modules as part of the Learning Mgt System (LMS).</p> <p>There is difficulty extracting exception reports on those employees who have not completed each IG course, and this is being examined by the Transformation team.</p>	<p>Training modules are ready but formal launch awaited.</p> <p>Potential link to induction for new employees (IS training to be completed on pick up of laptop) being explored.</p>

			The IG Training Needs has been developed and communicated to the IG Group.	This has been referred to the Risk & Controls Group for pursuance.
Covid-19 risks, levels of debt, loss of income etc	<p>Since mid-March 2020, the Council has diverted its resources to focus on providing active support across Huntingdonshire as part of its response to Covid-19.</p> <p>There is a risk that costs incurred outweigh the levels of funds received from Central Government.</p> <p>Emergency procedures put in place need to be reviewed to ensure that effective governance is in place to protect Council /users etc.</p>	<p>Assess 2020/21 budget and income streams for non-deliverable items and link to overall 2020/21 Financial monitoring and the 2021/22 MTFS requirements.</p> <ul style="list-style-type: none"> • Robust risk management processes followed to ensure effective monitoring of key risks whether relating to response to Covid-19 or return to business as usual. • Gold, Silver and Bronze command were stood up to manage critical responses/issues in response to the pandemic. 	<p>Gold command active to respond / provide resources for support within the community in relation to the Covid 19 pandemic.</p> <p>Costs associated with responding to Covid 19 pandemic captured via a separate cost centre.</p> <p>Recognition by central government in support loss of income for services affected by the closure of leisure and retail activities. The Income Compensation Scheme has provided Local Authorities to claim back 75p in the £1, (subject to 95% total).</p> <p>NNDR and CTAX will continue to be a concern into 21/22 with ongoing pressure around collections. Central Government have provided mechanisms to spread 20/21 deficits over 3 years and will also allow Local Authorities to claim compensation for irrecoverable losses.</p> <p>Balanced budget has been approved (Feb 21).</p>	<p>Cost centre review and discussion with Finance shows that additional costs incurred due to Covid have not exceeded the Emergency Funding sum received from Central Govt.</p> <p>A draft balanced budget has been prepared for 22/23.</p>

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Internal Audit Actions

Meeting/Date: Corporate Governance Committee – 26th January 2022

Executive Portfolio: Executive Councillor for Corporate Services
Councillor David Keane

Report by: Deborah Moss, Internal Audit Manager

Ward(s) affected: All Wards

Executive Summary:

Key performance indicator: 100% of audit actions to be implemented by the agreed date. Not achieved.

Performance in the last 12 months* to 10th January 2022:

24 actions implemented - 24% on time, increasing to 44% when including late implementation

30 actions not implemented – 56%

(actions due before the last 12 months period are not included)*

37 overdue audit actions remained outstanding at 10 Jan 22.

Recommendation:

It is recommended that the Committee consider the report and comment as they consider necessary.

1. PURPOSE OF THE REPORT

- 1.1 To update members on the implementation of audit actions.

2. WHY IS THIS REPORT NECESSARY?

- 2.1 At past meetings of the Corporate Governance Committee (CGC), the committee has expressed concerns at the underachievement of the management-set target of implementing 100% of agreed internal audit actions on time. This report provides an update for members based on audit actions that are outstanding as at 10th January 2022.

It is intended (resources permitting) that a verbal update of current figures will be provided at the January CGC meeting.

3. BACKGROUND

- 3.1 Following each audit review, audit conclusions, associated actions and implementation dates are agreed between the audit client and the audit team. Services can disagree with any action and the audit report is a record of what has been agreed by way of actions and their target dates.

- 3.2 The target for the implementation of 'agreed internal audit actions to be introduced on time' is set at 100% in line with best practice that suggests that all recommendations are implemented by the agreed deadline. The deadline date is set/agreed with the client service and can be extended upon request where reasonable justification is provided (the measurement is taken against the new target date). Therefore, it is reasonable that all actions should be completed by their target date.

- 3.3 For the 12 months ending 10th January 2022, 54 audit actions were due to be implemented. The following shows the performance against due dates:

- 24% (13 actions) were "implemented on time"; this increases to
- 44% (24 actions) when late implementation is also included
- 30 actions (56%) have not been implemented.

Performance % has deteriorated since the last reported figures. Services have received less individual push from the IAM since the last performance report as it is not considered good use of Audit resource to pursue managers to complete agreed actions; this is a responsibility of Senior Management and Committee.

4. NON-IMPLEMENTATION OF AUDIT ACTIONS

- 4.1 Sometimes non-implementation of an action is due to operational circumstances and to reflect this, a process is in place for re-assessing an action's implementation date and extending it where reasonable. Even after the introduction of this process the 100% indicator is still not being achieved.

All such extensions are agreed between the audit client and the Internal Audit Manager. Such audit actions are then not considered as “not implemented” and are excluded from the performance reporting unless the new target has also been missed (measurement is taken against variable target date).

4.2 However, circumstances sometimes prevail such that extended deadlines are missed and the current practice is that non-implementation at this stage is reported to management and CGC.

4.3 As at the 10th January 2022, 37 audit actions remained outstanding (overdue) and not implemented. This includes all overdue actions (not just those due in the last 12 months) to give a more accurate reflection. A detailed analysis of these actions – providing original and variable deadlines - is shown in the **Appendix**.

Of the 37 actions:

- 1 action 2 years or older
- 6 actions are between 1 and 2 years overdue
- 6 actions are between 6 months and 1 year overdue
- 24 actions are less than 6 months overdue

** Time is measured from the ‘original target implementation date’ to the 10th January 2022.*

4.4 All overdue actions continue to be reported to the SLT through our monthly Risk & Controls Board report. All SLT members are provided with a list of outstanding actions with a request that they ensure their Service Managers implement them. Officers with actions assigned to them have direct access to the system to enable them to manage those actions.

5. KEY IMPACTS

5.1 It is important that the Council maintains a sound internal control environment. Actions that the Internal Audit Service propose to address risk and control weaknesses are discussed with Heads of Service and, if appropriate, Directors and agreement is reached as to any corrective action that needs to be taken. Internal audit actions are not imposed on management or Services.

5.2 An action that is not implemented means that the weakness or risk originally identified in the audit report, and which the action was designed to address, will remain as a risk to the organisation.

6. LINK TO THE CORPORATE PLAN

6.1 The Internal Audit Service provides independent, objective assurance to the Council by evaluating the effectiveness of risk management, control, and governance processes. It identifies areas for improvement across these three areas such that Managers can deliver the Corporate Plan objectives as efficiently, effectively and economically as possible.

7. RESOURCE IMPLICATIONS

7.1 There are no direct resource implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

8.1 The report has been requested by the Committee and as such, they need to decide what further action they wish to take.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Overdue Audit Actions as at 10th January 2022 Summary and Detailed List

BACKGROUND PAPERS

Audit actions contained within the 4Action system

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Appendix 1: Overdue Audit Actions @ January 2022

Summary:

Audit Name	Variable Target	Fixed Target	Status	Service Area	Priority Risk Level	months late
3C ICT Actions						
Access Management Control 19.20 / 5	31/08/2020	31/08/2020	In Progress	3C ICT	Amber	16
Cloud Computing 2020.21 / 1	31/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
Cloud Computing 2020.21 / 2	31/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
Cloud Computing 2020.21 / 3	31/12/2021	31/12/2021	In Progress	3C ICT	Red	0
Cloud Computing 2020.21 / 4	31/12/2021	31/12/2021	In Progress	3C ICT	Red	0
Cyber Security Risk Management 2020.21 / 1	31/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
Cyber Security Risk Management 2020.21 / 2	30/09/2021	30/09/2021	In Progress	3C ICT	Amber	3
Cyber Security Risk Management 2020.21 / 3	30/09/2021	30/09/2021	Not Started	3C ICT	Amber	3
Cyber Security Risk Management 2020.21 / 4	30/09/2021	30/09/2021	In Progress	3C ICT	Red	3
Cyber Security Risk Management 2020.21 / 5	31/05/2021	31/05/2021	In Progress	3C ICT	Red	7
Digital Services - Development and Management 2020.21 / 7	20/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
Digital Services - Development and Management 2020.21 / 8	20/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
Digital Services - Development and Management 2020.21 / 9	20/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
Protocol Policy Management System 18.19 / 3	30/11/2020	01/06/2020	In Progress	3C ICT	Amber	19
Hardware & Software Asset Management Control 19/20 / 3	31/12/2020	01/09/2020	In Progress	Please Select, 3C ICT	Amber	16
COO Actions						
PCI DSS 18.19 / 3	01/04/2020	01/04/2020	Not Started	Corporate Director - People	Amber	21
PCI DSS 18.19 / 4	01/04/2020	01/04/2020	In Progress	Corporate Director - People	Amber	21
PCI DSS 18.19 / 5	01/04/2020	01/04/2020	In Progress	Corporate Director - People	Amber	21
Director, People Actions						
Data Protection and Information Management 15.16	31/07/2018	30/09/2016	In Progress	Corporate Team	Amber	64

AD, Corporate Services Actions

Budget Monitoring and Forecasting 2020.21 / 1	31/12/2021	31/12/2021	Not Started	Corporate Resources	Amber	0
Budgets and MTFs 2020.21 / 1	31/12/2021	31/12/2021	Not Started	Corporate Resources	Amber	0
Creditors 2020.21 / 3	31/07/2021	31/07/2021	Not Started	Corporate Resources	Amber	5
Creditors 2020.21 / 4	30/09/2021	30/09/2021	In Progress	Corporate Resources	Amber	3
Land Charges 18.19 / 3	30/06/2021	30/06/2021	In Progress	Corporate Resources	Amber	6
Main Accounting System 2020.21 / 2	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
Main Accounting System 2020.21 / 3	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
Main Accounting System 2020.21 / 5	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
Purchase Order Compliance 2019.20 / 1	30/06/2021	30/06/2021	Not Started	Corporate Resources	Amber	6
Purchase Order Compliance 2019.20 / 2	30/06/2021	30/06/2021	Not Started	Corporate Resources	Amber	6
Purchase Order Compliance 2019.20 / 3	31/07/2021	31/07/2021	Not Started	Corporate Resources	Amber	5
Purchase Order Compliance 2019.20 / 4	31/10/2021	31/10/2021	Not Started	Corporate Resources	Amber	2
Purchase Order Compliance 2019.20 / 5	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
Purchase Order Compliance 2019.20 / 6	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
Purchase Order Compliance 2019.20 / 7	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
Purchase Order Compliance 2019.20 / 8	30/04/2021	30/04/2021	In Progress	Corporate Resources	Amber	8
Treasury Management 2020.21 / 1	31/12/2021	10/06/2021	In Progress	Corporate Resources	Amber	7
Treasury Management 2020.21 / 2	31/10/2021	31/10/2021	Not Started	Corporate Resources	Amber	2

TOTAL 37

* "Not started" means that no update has been entered on the system by the Service/owner of the action.

Detail of Actions:

Ref	Audit Name	Action Detail	Variable Target	Fixed Target	Status	Service Area	Priority Risk Level	months late
3C ICT Actions								
		Head of IT & Digital 3C Shared Services should ensure requirements for setting up new user access to the network are set out in formal policy document and is uploaded onto the intranet and the PPMS.						
1513	Access Management Control 19.20 / 5	Line managers acknowledge the formal policy set out by 3CSS which ensures ECSS are notified of leavers in timely manner. Management should review and revise the ICT Strategy document to include a detailed overview of intentions to perform feasibility assessments on corporate applications/services to ensure if they can be potentially hosted in the cloud.	31/08/2020	31/08/2020	In Progress	3C ICT	Amber	16
1601	Cloud Computing 2020.21 / 1		31/12/2021	31/12/2021	Not Started	3C ICT	Amber	0

Management should update the design of the ICT Applications Matrix to include a detailed profile of each corporate application in use throughout the three councils.

The matrix should contain information about the application, such as:

- how it is supported and by whom
- where it is hosted
- what contractual obligations are in place
- whether a system upgrade is pending and it has vendor agreement to be hosted in the cloud.

As well as supporting a defined framework criteria for assessing applications' optimum hosting platforms, this document will also inform business continuity planning and future decisions for enhancement or replacement of applications.

Cloud Computing
2020.21 / 2

31/12/2021

31/12/2021

Not
Started

3C ICT

Amber

0



Management should determine the agreed criteria to be used when assessing an application’s potential for migration to the cloud.

Using the Applications Matrix as guidance, a defined framework should be constructed to ensure that all potential scenarios are factored into the assessment criteria to determine the driving focus.

For example, an application may be identified as nearing the end of its support agreement, so the potential to amend its current hosting methods may be preferable for reasons such as cost, system availability or system stability.

Alternatively, the hardware used to host the application may be due for replacement, so a decision must be taken on whether migration to the cloud is a preferable option.

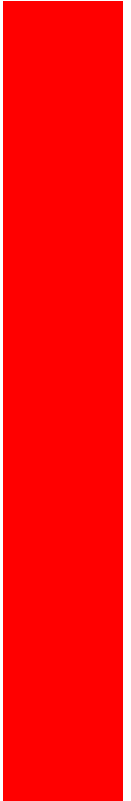
The design of the framework should be consistent, yet flexible enough to adapt to multiple potential scenarios, at its core, focusing on the elements regarded as high priority, such as: cost saving, potential risk, system availability and contractual obligations.

The key element of the decision-making process is to assess the appropriateness of migrating/not migrating an application to the

1603	Cloud Computing 2020.21 / 3	migrating/not migrating an application to the	31/12/2021	31/12/2021	In Progress	3C ICT	Red	0
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cloud versus remaining “as is”, with clearly documented pros and cons of each scenario.



Using the Migration Assessment Framework as a guide, a Corporate Applications Roadmap should be drafted, to ensure which applications the Councils would migrate to the cloud as well as which must be migrated to the cloud (for example, to avoid an impending required investment such as procurement of a new hardware.)

Management should assess possible dependencies of each system moving forwards, considering that multiple services may exist on the same platform on multiple servers – including business critical with non-business critical - so what happens to one application may impact others hosted on the same server.

The Corporate Applications Roadmap should have a forward projected “review by” date applied for all systems that cannot be migrated to the cloud at this time and an overview of dependencies prohibiting migration, with a schedule to revisit and reassess their status built into ICT’s ongoing calendar of activities.

In addition, there should be reviews performed for all applications that have already been migrated to the cloud to evaluate latency and user connectivity, system availability, and if the hosting method remains appropriate.

1604	Cloud Computing 2020.21 / 4		31/12/2021	31/12/2021	In Progress	3C ICT	Red	0
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1575	Cyber Security Risk Management 2020.21 / 1	<p>Management should provide operational updates including risk status related to its compliance with National Centre for Cyber Security (NCSC) 10 Steps for Cyber Security Principles (such as Network Security, Secure Configuration, Incident Management and Malware Prevention) to the information Governance Group on a quarterly basis to ensure all key stakeholders are engaged and aware of current status.</p> <p>Management should complete the update of the Council's Information Security Policy and ensure that it is communicated to all staff.</p>	31/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
1576	Cyber Security Risk Management 2020.21 / 2	<p>A section should be included to provide adequate guidance for users regarding the secure usage of mobile devices/laptops/phones to reduce the risk of misuse/potential loss or theft/confidential data exposure.</p>	30/09/2021	30/09/2021	In Progress	3C ICT	Amber	3

Management should complete the update of the Council's Cyber Security Incident Response Plan. The plan's contents should reflect the guidance provided by the NCSC (National Cyber Security Centre) and include the following:

- Procedures for assessing the nature and scope of an incident
- Identifying an incident
- Eradication procedures
- Containment procedures
- Recovery
- Lessons learnt

All stakeholders must be aware of their roles and responsibilities and the document should be included in a regular review cycle, at least once per year.

Cyber Security Risk Management 2020.21 / 3

30/09/2021

30/09/2021

Not Started

3C ICT

Amber

3



Management should undertake a review to assess the content, delivery method and quality of the council's user education programmes for cyber/IT security.

Efforts should be made to harmonise the education packages, extracting the most relevant elements from each to create an optimum package.

Due to increased security concerns as a result of COVID-19, the awareness training should be focused on phishing emails and social engineering.

This education should be deployed to users at least on an annual basis, with consideration given to bi-annual refresher sessions.

New starters must complete this education on a mandatory basis to ensure that security awareness is embedded from day one of their employment within the Councils.

Training completion should be monitored and there should be a record of all the training that has been provided and completed to all members of staff.

1578 Cyber Security Risk Management 2020.21 / 4

30/09/2021 30/09/2021 In Progress

3C ICT

Red

3

Management should track the ongoing reduction of Domain Administrator accounts. Best practice is to have only 8-10 domain administrators.

Privileged network accounts should be reviewed on a regular basis to ensure the number of accounts is controlled and managed appropriately. Focusing on Active Directory accounts and access to high risk applications such as payroll, financial and procurement, a review of all users with access should be performed to confirm there is a continued business need.

The Leavers' Process should be updated to include checking that all application-level access is revoked when someone leaves the Council. Additionally, as a secondary control to identify when errors are made during execution of the Council's Leavers' process, a review should be performed every 90 days/each quarter to identify any Leavers' AD accounts that still remain in an active state. Steps should then be taken to disable/remove that access as soon as possible.

1579

Cyber Security Risk Management 2020.21 / 5

31/05/2021

31/05/2021

In Progress

3C ICT

Red

7

1588

Digital Services - Development and Management 2020.21 / 7

20/12/2021

31/12/2021

Not Started

3C ICT

Amber

0

1589

Digital Services - Development and Management 2020.21 / 8

20/12/2021

31/12/2021

Not Started

3C ICT

Amber

0

1590	Digital Services - Development and Management 2020.21 / 9	Management should ensure that the configurations for the integration failure email alerting system is documented, particularly how errors are identified and managed, with the potential of improving the process, or perhaps investing in additional alerts in the future.	The process should be documented and shared with all relevant staff.	20/12/2021	31/12/2021	Not Started	3C ICT	Amber	0
1526	Protocol Policy Management System 18.19 / 3	Management will put a plan in place to seek staff awareness of IT policies by including a rolling awareness programme for extant policies within the protocol policy management system. A thorough review of the ICT asset database should be undertaken on a regular basis to ensure that all assets include a location and the information recorded on them is complete, accurate and up to date.		30/11/2020	01/06/2020	In Progress	3C ICT	Amber	19
1516	Hardware & Software Asset Management Control 19/20 / 3			31/12/2020	01/09/2020	In Progress	Please Select, 3C ICT	Amber	16
CO Actions									
1529	PCI DSS 18.19 / 3	A training needs assessment should be performed for all members of staff that have responsibility for PCI DSS compliance activities so as to determine their training needs. Compliance should be monitored and action taken when members of staff are found to have not completed the PCI DSS training or have not read the policy and procedures.		01/04/2020	01/04/2020	Not Started	Chief Operating Officer	Amber	21
1530	PCI DSS 18.19 / 4			01/04/2020	01/04/2020	In Progress	Chief Operating Officer	Amber	21

531	PCI DSS 18.19 / 5	<p>Actions need to be drawn together in a policy which sets out how the council will manage PCA DSS compliance activities and the policy should be reviewed on a regular basis. this should include but not be limited to:</p> <ul style="list-style-type: none"> - Assignment of roles and responsibilities for ensuring that the Council is PCS DSS compliant - Procures for staff that are responsible for taking card payments - The Council's security strategy in relation to the storage, processing and transmission of credit card data - A set of instructions for detecting, responding to the storage, processing and transmission of credit card data. 	01/04/2020	01/04/2020	In Progress	Chief Operating Officer	Amber	21
Director, People Actions								
1137	Data Protection and Information Management 15.16	The Senior Information Risk Officer (SIRO) shall decide how long information and emails etc shall be kept within Anite, and the process for purging or archiving.	31/07/2018	30/09/2016	In Progress	Corporate Team	Amber	64
AD Corp Services Actions								

Management should perform a training needs analysis to identify and assess the level and type of training required by members of staff with regards to budget monitoring and forecasting and the use of the forecasting module, which should include, but not be limited to, salaries and project budgets.

A mandatory training programme should be put in place that is based upon the requirements of the training needs analysis.

Training completion should be recorded and monitored and training should be maintained for audit purposes.
 Management should perform a training needs analyses to identify and assess the level and type of training required by members of staff and Members with regards to the MTFS and the use of the budget module, which should also identify any training needs for Members.

A mandatory training programme should be put in place that is based upon the requirements of the training needs analysis.

Training completion should be recorded and monitored and training records should be maintained for audit purposes.

1570	Budget Monitoring and Forecasting 2020.21 / 1	<p>Training completion should be recorded and monitored and training should be maintained for audit purposes. Management should perform a training needs analyses to identify and assess the level and type of training required by members of staff and Members with regards to the MTFS and the use of the budget module, which should also identify any training needs for Members.</p>	31/12/2021	31/12/2021	Not Started	Corporate Resources	Amber	0
1571	Budgets and MTFS 2020.21 / 1	<p>Training completion should be recorded and monitored and training records should be maintained for audit purposes.</p>	31/12/2021	31/12/2021	Not Started	Corporate Resources	Amber	0

1599	Creditors 2020.21 / 3	The Supplier Amendment Form (SAF) will be updated to include the requirement for Tech1 to be checked for existing suppliers prior to the new supplier being requested. In addition, AP staff will be reminded of the need to check the system before a new supplier is created.	31/07/2021	31/07/2021	Not Started	Corporate Resources	Amber	5
1600	Creditors 2020.21 / 4	Options for monitoring and addressing duplicate payments will be investigated and staff (AP team and wider services) will be reminded of the checks required when processing invoices for payment.	30/09/2021	30/09/2021	In Progress	Corporate Resources	Amber	3
568	Land Charges 18.19 / 3	Written procedures should be in place to support how the costs and calculation process is carried out.	30/06/2021	30/06/2021	In Progress	Corporate Resources	Amber	6
593	Main Accounting System 2020.21 / 2	Alternative Tech1 user roles will be formalised and assigned for the Senior Exchequer and Risk Officer and the Reconciliations Officer, to ensure that permissions and access levels are appropriate and relevant to the role.	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
1592	Main Accounting System 2020.21 / 3	The Payroll reconciliation will be remapped / worked up for the new HR / Payroll system. Instructions will be documented and the routine task handed over to the Payroll team for actioning.	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3
1595	Main Accounting System 2020.21 / 5	Responsibility for reviewing and actioning the Cashiers Suspense Account each year will be reassigned.	30/09/2021	30/09/2021	Not Started	Corporate Resources	Amber	3

Investigation into what can be done within the system to place a lockdown on budget codes so only budget manager and their delegated officers can use their cost centre and approve expenditure on their code.

This investigation will also find out what HDC can amend alone and what can be done with Tech1 assistance (and the cost of this).

Investigation should also look at whether the system can be set so that the PO originator defaults to sending the PO to the budget holder i.e. link a user to a default approver.

Further investigation will be taken to find out whether the system can be improved by showing the approver the remaining budget at the time of approving a requisition. This will enforce informed commitment making and remove existing blind approvals.

Authorisation limits will be reviewed – unlimited authorisation limits will be amended; and users will be given appropriate limits based on needs for their role (not their grade) and the existing hierarchy within their team and who should be authorising POs.

Self -authorised requisitions will be monitored. The process by which this will be done is yet to be decided: it is likely to be a 6 monthly report of activity and volume, and check and re-education.

1545	Purchase Order Compliance 2019.20 / 1		30/06/2021	30/06/2021	Not Started	Corporate Resources	Amber	6
1546	Purchase Order Compliance 2019.20 / 2		30/06/2021	30/06/2021	Not Started	Corporate Resources	Amber	6
1547	Purchase Order Compliance 2019.20 / 3		31/07/2021	31/07/2021	Not Started	Corporate Resources	Amber	5
1548	Purchase Order Compliance 2019.20 / 4		31/10/2021	31/10/2021	Not Started	Corporate Resources	Amber	2

Purchase Order
Compliance 2019.20 /
5

Written procedures on the PO process will be written and issued to users. Users will be educated and refreshed on certain areas not being performed correctly and causing delays or inefficiencies in the process e.g. current issue of failure to receipt, inappropriate use of retrospective ordering.

Guidance will give specific reference to use of retrospective ordering; correct VAT codes; use of the delegation functionality to avoid delays; etc. Guidance should be posted to the 'Popular' section of the Intranet for quick access for users. The above user guidance will include specific guidance on the use of retrospective ordering (when it is appropriate/efficient to use).

30/09/2021 30/09/2021 Not
Started

Corporate Resources

Amber

3

Purchase Order
Compliance 2019.20 /
6

Consideration will also be given to introducing a Performance Indicator for retrospective ordering to measure its ineffective usage and inform where further education is needed.

Guidance will also include the use of 'bulk orders' which can be used for contracts requiring repeated invoices over the year introducing draw-down from the total commitment.

30/09/2021 30/09/2021 Not
Started

Corporate Resources

Amber

3

Purchase Order
Compliance 2019.20 /
7

This will be set-up and users provided with education and a demo on its use and application within Services.

30/09/2021 30/09/2021 Not
Started

Corporate Resources

Amber

3

1552	Purchase Order Compliance 2019.20 / 8	Investigation will be made into finding out how many supplier accounts we have for employees and put these accounts into suspension so they cannot be used. Management should put arrangements in place for ensuring that investment opportunities outside the Council's Treasury Management are identified and proactively monitored.	30/04/2021	30/04/2021	In Progress	Corporate Resources	Amber	8
1573	Treasury Management 2020.21 / 1	Furthermore, the Council should put in place detailed and defined guidance with regards to any such investment opportunities with clear linkages to the Council's Treasury Management Strategy and framework. Management should finalise the Terms of Reference for the Council's Treasury and Capital Management Group, which should ensure that the Group provides sufficient oversight and monitoring of the Council's treasury management activities.	31/12/2021	10/06/2021	In Progress	Corporate Resources	Amber	7
1574	Treasury Management 2020.21 / 2	Furthermore, the Terms of Reference should define the frequency with which the Group should meet and there should be a requirement for action plans to be put in place and followed up to resolution.	31/10/2021	31/10/2021	Not Started	Corporate Resources	Amber	2

TOTAL
37

Overdue Audit Actions

Ref	Audit Name and Action Number	Assignee	Action / Risk Priority	Detail	Evidence to be Provided	Current Due Target	Original Target Date	Status	Time lapse since original date (months)
1137	Data Protection and Information Management 5.16 / 10	Oliver Morley		The Senior Information Risk Officer (SIRO) shall decide how long information and emails etc shall be kept within Anite, and the process for purging or archiving. <i>The SIRO role was transferred on the departure of the previous incumbent late 2019, and the role reassigned the Corp Director (O Morley).</i>	Decision taken and copy of instruction informing managers.	31/07/2018	30/09/2016	NotStarted	39
1529	PCI DSS 18.19 / 3	Oliver Morley		A training needs assessment should be performed for all members of staff that have responsibility for PCI DSS compliance activities so as to determine their training needs.	Shared Service Management Board minutes	01/04/2020	01/04/2020	NotStarted	12
1530	PCI DSS 18.19 / 4	Oliver Morley		Compliance should be monitored and action taken when members of staff are found to have not completed the PCI DSS training or have not read the policy and procedures.	Shared Service Management Board minutes	01/04/2020	01/04/2020	NotStarted	8

1531	PCI DSS 18.19 / 5	Oliver Morley		<p>Actions need to be drawn together in a policy which sets out how the council will manage PCA DSS compliance activities and the policy should be reviewed on a regular basis. this should include but not be limited to:</p> <ul style="list-style-type: none"> - Assignment of roles and responsibilities for ensuring that the Council is PCS DSS compliant - Procures for staff that are responsible for taking card payments - The Council's security strategy in relation to the storage, processing and transmission of credit card data - A set of instructions for detecting, responding to the storage, processing and transmission of credit card data. 	Shared Service Management Board minutes	01/04/2020	01/04/2020	NotStarted	9
1526	Protocol Policy Management System 18.19 / 3	Madelaine Govier		Management will put a plan in place to seek staff awareness of IT policies by including a rolling awareness programme for extant policies within the protocol policy management system.	High level plan.	30/11/2020	01/06/2020	NotStarted	18

1513	Access Management Control 19.20 / 5	Sagar Roy		<p>Head of IT & Digital 3C Shared Services should ensure requirements for setting up new user access to the network are set out in formal policy document and is uploaded onto the intranet and the PPMS.</p> <p>Line managers acknowledge the formal policy set out by 3CSS which ensures 3CSS are notified of leavers in timely manner.</p>	<p>User access policy or requirements in an equivalent policy.</p> <p>Acknowledgement from line managers and employee owners.</p>	31/08/2020	31/08/2020	InProgress	18
1516	Hardware & Software Asset Management Control 19/20 3	Colin Chalmers		A thorough review of the ICT asset database should be undertaken on a regular basis to ensure that all assets include a location and the information recorded on them is complete, accurate and up to date.	Review of records highlighted by BDO. Supporting evidence - written confirmation that task to review location records has been completed,	31/12/2020	01/09/2020	InProgress	18
1552	Purchase Order Compliance	Claire Edwards		Investigation will be made into finding out how many supplier accounts we have for employees and put these accounts into suspension so they cannot be used.	IA to be advised of outcome.	30/04/2021	30/04/2021	NotStarted	0

1540	IT Maintenance Schedule Planning 20.21 Action 2	Alex Young		"Management should update the published Business Applications matrix to document which team/third party vendor is responsible for the management of security update patches/version upgrades."	"Updated Business Applications matrix."	31/07/2021	31/07/2021	InProgress	1
1545	Purchase Order Compliance 2019.20 / 1	Claire Edwards		Investigation into what can be done within the system to place a lockdown on budget codes so only budget manager and their delegated officers can use their cost centre and approve expenditure on their code.	Claire Edwards to provide details to IA of what investigation has been carried out and its conclusions.	30/06/2021	30/06/2021	NotStarted	1
1546	Purchase Order Compliance 2019.20 / 2	Claire Edwards		This investigation will also find out what HDC can amend alone and what can be done with Tech1 assistance (and the cost of this).	Details to be advised to IA	30/06/2021	30/06/2021	NotStarted	0
1547	Purchase Order Compliance 2019.20 / 3	Claire Edwards		Investigation should also look at whether the system can be set so that the PO originator defaults to sending the PO to the budget holder i.e. link a user to a default approver.	Evidence of review and outcomes.	31/07/2021	31/07/2021	NotStarted	3
1568	Land Charges 18.19 / 3	Claire Edwards		Written procedures should be in place to support how the costs and calculation process is carried out.	Procedure notes to be completed and uploaded to action before closure.	30/06/2021	30/06/2021	InProgress	1
1579	Cyber Security Risk Management 2020.21 / 5	Alex Young		Management should track the ongoing reduction of Domain Administrator accounts. Best practice is to have only 8-10 domain administrators.	It is acknowledged that work is underway to reduce the number of Domain Administrator	31/05/2021	31/05/2021	NotStarted	2

				accounts, but a target date should be set for when the validation exercise is due for completion, with regular reporting in place to monitor the decrease in number.					
1580	Cyber Security Risk Management 2020.21 / 6	Alex Young		Management should ensure that the migration plans of unsupported Windows system is recorded and tracked to completion.	A defined roadmap should be produced to outline the total number of systems which will be decommissioned and by what date, and progress status reports should be produced and shared with key stakeholders.	31/07/2021	31/07/2021	NotStarted	0
1581	Cyber Security Risk Management 2020.21 / 7	Alex Young		Management should put a procedure in place to apply anti-malware signature updates to devices that do not connect to the Council's IT network on a routine basis. This should include a process to restrict any non-complying devices connecting to the Council's IT network.	ICT is currently assessing each endpoint to validate the extent of the outdated agent and as part of that exercise should any device be found to be severely out of date, it must be investigated further and, if deemed to be a risk, prohibited from accessing the network until it is compliant.	31/05/2021	31/05/2021	NotStarted	2

1599	Creditors 2020.21 / 3	Sandra Dean		The Supplier Amendment Form (SAF) will be updated to include the requirement for Tech1 to be checked for existing suppliers prior to the new supplier being requested. In addition, AP staff will be reminded of the need to check the system before a new supplier is created.		31/07/2021	31/07/2021	NotStarted	0
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TOTAL 17

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Progress Report on the Internal Audit Plan 2021/22
Meeting/Date:	Corporate Governance Committee – 26 January 2022
Executive Portfolio:	Cllr David Keane
Report by:	Deborah Moss, Internal Audit Manager
Wards affected:	All wards

Executive Summary:

The Committee has responsibility under its terms of reference for ensuring that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes (taking into account the Public Sector Internal Audit Standards (PSIAS)).

Internal Audit remains a tightly resourced team, now with a trainee auditor filling a full-time role. Thus the delivery of the Audit Plan is on a dynamic, risk-managed basis.

In March 2021 an Audit Plan based on a priority list of assurance activities was agreed. It also allowed for new emergent risks or higher-priority reviews to be inserted. It was reported in the interim progress report in September that it was unlikely that the Plan would be fully delivered this year.

This report details the progress status of items within the Plan and proposes deletions and additions to the agreed Plan still within the current year. The Internal Audit Manager has taken the view that some areas intended for review will have to be postponed as there is little value to be gained given the present status of some activity areas.

Recommendations

- To note and comment on the progress made of the Plan
- To comment and approve the amendments made: areas where there is little value in reviewing at present; IT audits which had not yet been decided when the Plan was approved.
- Committee are also invited to make proposals for the 2022/23 Audit Plan.

1. PURPOSE OF THE REPORT

- 1.1 To inform Committee as to the progress and position of the Internal Audit (IA) Plan for 2021/22 and any issues arising there from. It details the current status of the planned assurance activities from the approved Plan.

2. BACKGROUND

- 2.1 The Accounts and Audit Regulations 2015 require that the Council ‘...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards (PSIAS) or guidance’. The Council has adopted the PSIAS through the Committee’s Terms of Reference.

- 2.2 The Council requires the Internal Audit Manager (IAM) to “establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals”. The risk-based plan must also:

- take into account the requirement to produce an annual internal audit opinion;
- incorporate a strategic high-level statement of how the internal audit service will be delivered and developed and how it links to the Council’s objectives and priorities;
- explain how internal audit’s resource requirements have been assessed; and
- include the approach to using other sources of assurance and any work required to place reliance upon those other sources.

Furthermore, the IAM must review and adjust the plan as necessary, in responses to changes in risks, operations, programs, systems, and controls.

3. ANALYSIS

Internal Audit Plan

- 3.1 The Audit Plan for 2021/22 comprised three sections:

- assurance activities in support of the annual Audit opinion on internal control.
- other assurance activities for later consideration and inclusion in the Plan
- audit activities that need to be undertaken but which do not support the audit opinion.

- 3.2 The plan supports the aims and outcomes of the Corporate Plan; the action plans within the annual governance statement; and the requirement to review key financial and significant internal control systems and procedures. The intention was that once the Council’s risk register had been reviewed and updated, the Audit Plan would be revisited to ensure it is in line with the significant risks identified; the risk register has not yet been reviewed.

- 3.3 Appendix 1 details the approved assurance activities and includes a column showing RAG-rating whether each audit has been completed; in progress or scheduled still for this year; or not started /not scheduled. A number of activities were proposed as

possible consultancy work only and potential audits for next year once changes /improvements to the service area had been completed and embedded; there would be no value to auditing an area that was already known to be undergoing improvements or changes.

Other sources of assurance

- 3.4 The PSIAS requires that the audit plan planning process takes into account other sources of assurance that will be available during the year. Managers have been requested to provide details of any planned independent reviews from which assurance could be obtained to avoid/minimise duplication of effort. It is intended that any advised external or third-party assurances will be captured and used to support the audit opinion. To date, very little other assurance has been offered by Services/Management.

4. RISKS

- 4.1 Non-delivery of the internal audit plan, or not undertaking sufficient work across the Council's control environment (the framework of governance, risk management and control) may affect the ability of the Internal Audit Manager to provide the Committee with a robust annual internal audit opinion.
- 4.2 The internal audit team is small and any reduction in resources (ie staff leaving, sickness) would quickly have an impact on the deliverability of the audit plan.

5. LINK TO THE CORPORATE PLAN

- 5.1 The Internal Audit Service through the audit plan contributes to all the strategic themes and outcomes. Specifically, it supports the Senior Leadership Team by undertaking reviews that provide assurance that:

- significant risks identified in the risk register are managed effectively
- laws and regulations are being met,
- business and financial processes and systems are managed effectively and
- assets are safeguarded.

It also improves the performance of the Council by assessing current risks, considering emerging risks, identifying efficiency gains and process improvements.

6. REASONS FOR THE RECOMMENDED DECISIONS

- 6.1 The Committee's terms of reference require it to approve the Internal Audit Plan.

7. LIST OF APPENDICES INCLUDED

Appendix 1 – Internal Audit Plan 2021/22 with updated status.

BACKGROUND PAPERS

The Public Sector Internal Audit Standards

CONTACT OFFICER

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Email: deborah.moss@huntingdonshire.gov.uk

Appendix 1

Audit Plan 2021/22 – Assurance Activities that will support the Annual Audit Opinion:

Area	Status	Service	Type of review	Scope/rationale	HDC Corporate Objective
Key Financial Systems: <ul style="list-style-type: none"> • Council Tax • NNDR • Main Accounting System • Creditors • Debtors • Housing Benefits Creditors • Housing Benefit Debtors 	Reviews completed quarterly unless decision taken to miss a quarter based on capacity v. value.	Corporate Financial Services	Key Quarterly continuous audit reviews	As per agreed Key Controls for each financial system	Becoming a more Efficient and Effective Council
Covid Account	Discussions held but further review deemed of limited value	Covid /Finance	System overview	To obtain assurance on the process for ensuring we capture all costs and claim for covid reimbursement from the Govt. To ensure that all costs are supported by evidence (to avoid risk of it being refused/recovered; and to ensure that all cost are accurate, and nothing omitted).	Becoming a more Efficient and Effective Council
S.106 Agreements	In Progress	Development Control / Planning	Follow-up review initially (potentially then a system review)	Review of new system implementation, then if all operational progress to full system review. If not operational then need to test a sample of agreements to obtain assurance on progress and action. Review amount of £ on account (risk: it could have to be returned to developer if no action). Possible “significant issue” if large monetary amount.	Place – Support development of infrastructure to enable growth
Car Parking permits new process: MiPermit	Completed & draft issued	Operations	Light touch review	An oversight review of the new process introduced in 2020 to provide assurance that it is appropriate, efficient and complied with.	Becoming a more Efficient and Effective Council

Enforcement Policy (from 19.20 Plan)	Scheduled for Q4	Corporate /Community	System review	Compliance with corporate Enforcement Policy across enforcement teams within HDC.	Becoming a more Efficient and Effective Council
Network Access (red Audit Action)	Will be reviewed by BDO	ICT	Follow up review	To ensure that user accounts are managed effectively, and network access is restricted and appropriate.	Becoming a more Efficient and Effective Council
Delivery of Capital Scheme (red Audit Action)	Completed and report issued	Corporate	Follow up review		Becoming a more Efficient and Effective Council
A contract review - Minor Works Contract & Expenditure	Completed and report issued	Operations		– small works contract (expiry and use since); total spend with company; analysis of spend; usage outside of small works v competition (note waiver of CoP). To sure we are getting value for money from these works; allowing appropriate competition; not stretching the contract outside its remit.	Becoming a more Efficient and Effective Council
Sickness Dashboard	Not started	HR/Corporate	follow-up review	Agreed in the audit report 2020 that a follow up would be undertaken to ensure compliance that all sickness is being recorded. (reconciliation of timesheets to dashboard to check that input is happening in real time; look at extra guidance given to managers; delegation usage; does it work properly, loopholes, etc).	Becoming a more Efficient and Effective Council
CCTV	Not started- a revised CCTV Policy is being drafted and should include the aspects to be reviewed.	Operations	Light touch review	To follow up on written procedures and processes for the lawful capture of recordings for transference to Police etc.	
NNDR Northgate system	Discussions only. Further work still be decided based on value.	Customer Services/ NNDR	Light-touch review	Following on from Grants, the database risks holding inaccurate data as businesses fail to notify of any property vacations. To review what can be carried	Becoming a more Efficient and Effective Council

				out to ensure the accuracy/currency of the Northgate system.	
IT equipment inventory	In progress / nearly completed	ICT	System review	To ensure adequate inventory and controls over physical security and location/custodianship of hardware. To include movements in/out of ICT handling.	Becoming a more Efficient and Effective Council
Brexit requirements (EU citizens applying for jobs – extra requirements after Brexit)	Completed & draft report issued	Corporate Resources /HR	Light review of process & Compliance review	To obtain assurance that we have an adequate process in place and compliance.	People – Develop a flexible and skilled local workforce
Towns Programme	Completed & final report issued	Planning / Economic Development	Oversight and assurance review	To obtain assurance that there are robust governance arrangements surrounding this high value programme.	Place – Support development of infrastructure to enable growth
Overtime	In progress / nearly completed	Corporate – All Services	Compliance with policy/procedure and overview of usage	Review of spend on overtime and assurance on compliance. Analyse the spend on overtime; trends by Service/job; capacity issues. Compliance with the policy (usage and approval).	
Land Charges fee income review	In progress	Corporate Resources/Land Charges	Follow-up review	To ensure there is an adequate system in place; appropriate calculation; signed off.	Becoming a more Efficient and Effective Council
DFG certification	Completed & issued	Planning	- oversight & compliance	Certification required to be given to County Council; to ensure that funds are spend in accordance with the rules of the grant.	Becoming a more Efficient and Effective Council People – Support people to improve their health and well-being.

Purchasing Cards	Not started & unlikely to be scheduled for 21/22.	Corporate Resources	risk-based system review – & compliance review	Review of procedure and usage during 2020/21.	Becoming a more Efficient and Effective Council
Risk Management (AGS issue)	Audit time has been used towards Risk Mgt assistance. Proposed that an audit will still take place in 22/23	Corporate Resources	oversight & progress reporting for AGS 20/21 Late 21/22 or 22/23: risk-based system review	2021/22 follow-up progress review for AGS significant issue. Late 21/22 or 22/23: Once the RM process has been redesigned and the Risk Register relaunched then an Audit can be programmed (potentially by our audit contactor for independence).	Becoming a more Efficient and Effective Council
Legal Working (and Audit Action) (AGS issue)	Internal Audit supported through work at Risk & Controls Group. System not ready to be followed up yet.	Corporate	follow up review – progress reporting for AGS 20/21	To review operational compliance with the new system introduced to ensure adhered to and overview on how well it is working.	Legal obligation - H&S at Work Act
GDPR	Not ready to be audited yet. The new DPO is looking thoroughly at GDPR and may provide reported assurance levels.	Corporate & ICT/IG	follow up review – progress reporting for AGS 20/21	AGS issue: To review progress and report.	Becoming a more Efficient and Effective Council
HR & Payroll System (go live due May 2021)	Some ad hoc discussions have taken place on different aspects of the system. Proposed that an IT iTrent Application audit undertaken in 22/23.	Corporate Resources / HR, Payroll	System testing and/or Consultancy Systems review	New HR/Payroll system: IA involvement in testing stage; consultancy if requested. Systems review later in 21/22: scope determined by cyclical programme. Seeking assurances from Sponsor or lead that internal controls are same or enhanced compared to old system.	Becoming a more Efficient and Effective Council

	An Internal Audit review of Payroll may also take place in 22/23 (dependent on Payroll resource capacity).			Cyclical review of Payroll to commence later in 20/22 or 22/23.	
National Fraud Initiative (NFI)	Completed & Submitted				
IT Audit – Service-procured systems/ Shadow IT	In Progress	ICT	Systems reviews & follow up reviews	The IT audit plan has not yet been prepared.	
IT Audit – Contract Management	Not started/ Scheduled for Q4	ICT	Systems reviews & follow up reviews		
IT Audit – follow ups	Not started / scheduled for Q4	ICT	Follow-up reviews	Follow-up reviews of all implemented IT audit actions.	

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Reviewed by Justin Andrews, Assistant Director of Corporate Services

