

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **THE COUNCIL CHAMBER, PATHFINDER HOUSE, ST MARYS STREET, HUNTINGDON** on **WEDNESDAY, 28TH MARCH 2007** at **6:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 4)

To approve as a correct record the Minutes of the meeting of the Panel held on.

**A Roberts
388009**

2. MEMBERS' INTERESTS

To receive from Members declarations as to personal and/or prejudicial interests and the nature of those interests in relation to any Agenda item. Please see Notes 1 and 2 below.

3. REVIEW OF CONSTITUTION

To consider a report by the Head of Administration reviewing the Constitution and containing suggested amendments. **(TO FOLLOW)**.

**C Deller
388007**

4. INTERNAL AUDIT TERMS OF REFERENCE AND AUDIT STRATEGY (Pages 5 - 20)

To consider a report by the Audit and Risk Manager on revised terms of reference for Internal Audit and an Audit Strategy.

**D Harwood
388115**

5. AUDIT PLAN 2007/08 (Pages 21 - 30)

To consider the interim Internal Audit Plan 2007/08.

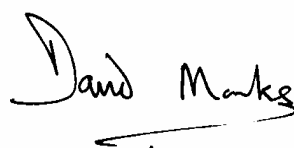
**D Harwood
388115**

6. ANNUAL AUDIT AND INSPECTION LETTER (Pages 31 - 42)

To consider the Annual Audit and Inspection Letter.

**S Couper
388103**

Dated this 20 day of March 2007



Chief Executive

Notes

1. *A personal interest exists where a decision on a matter would affect to a greater extent than other people in the District –*
 - (a) *the well-being, financial position, employment or business of the Councillor, a partner, relatives or close friends;*
 - (b) *a body employing those persons, any firm in which they are a partner and any company of which they are directors;*
 - (c) *any corporate body in which those persons have a beneficial interest in a class of securities exceeding the nominal value of £5,000; or*
 - (d) *the Councillor's registerable financial and other interests.*
2. *A personal interest becomes a prejudicial interest where a member of the public (who has knowledge of the circumstances) would reasonably regard the Member's personal interest as being so significant that it is likely to prejudice the Councillor's judgement of the public interest.*

Please contact A Roberts, Democratic Services Officer, Tel No 01480 388009/e-mail: Anthony.Roberts@huntsdc.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit and to make their way to the base of the flagpole in the car park at the front of Pathfinder House.

Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Council Chamber, Pathfinder House, St Mary's Street, Huntingdon on Wednesday, 13th December 2006.

PRESENT: Councillor C J Stephens – Chairman.
Councillors K J Churchill, P J Downes, T V Rogers, L M Simpson and R J West.

APOLOGY: An apology for absence from the meeting was submitted on behalf of Councillor J A Gray.

29. MINUTES

The Minutes of the meeting of the Panel held on 29th November 2006 were approved as a correct record and signed by the Chairman.

30. MEMBERS' INTERESTS

No declarations of interest were received.

31. CALCULATION OF COUNCIL TAX BASE 2007/2008

In accordance with Section 34 of the Local Government Finance Act 1992 and the (Local Authorities Calculation of Tax Base) Regulations 1992 (as amended) and after consideration of a report by the Head of Revenue Services (a copy of which is appended in the Minute Book) setting out the general principles for the calculation of the tax base for the District, it was

RESOLVED

- (a) that the report by the Head of Revenue Services regarding the calculation of the District Council's tax base for the year 2007/08 be approved; and
- (b) that in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 (as amended), the amount calculated by the Huntingdonshire District Council as their tax base for the whole District for the year 2007/08 be 57,434 and shall be as listed below for each parish of the District:

Abbotsley	189
Abbots Ripton	134
Alconbury	553
Alconbury Weston	279
Alwalton	128
Barham & Woolley	26

Bluntisham	727
Brampton	1809
Brington & Molesworth	114
Broughton	86
Buckden	1138
Buckworth	50
Bury	583
Bythorn & Keyston	147
Catworth	136
Chesterton	59
Colne	325
Conington	73
Covington	41
Denton & Caldecote	24
Diddington	30
Earith	575
Easton	75
Ellington	234
Elton	290
Eynesbury Hardwicke	769
Farcet	570
Fenstanton	1187
Folksworth & Washingley	350
Glatton	134
Godmanchester	2258
Grafham	238
Great & Little Gidding	127
Great Gransden	458
Great Paxton	377
Great Staughton	311
Haddon	20
Hail Weston	238
Hamerton	42
Hemingford Abbots	319
Hemingford Grey	1153
Hilton	439
Holme	241
Holywell-cum-Needingworth	973
Houghton & Wyton	1200
Huntingdon	6709
Kings Ripton	73
Kimbolton & Stonely	585
Leighton Bromswold	80
Little Paxton	1122
Morborne	11
Offord Cluny	197
Offord d'Arcy	295
Old Hurst	96
Old Weston	90
Perry	266
Pidley-cum-Fenton	156
Ramsey	2877
St Ives	5626
St Neots	9096
St Neots Rural30	
Sawtry	1735
Sibson-cum-Stibbington	200

Somersham	1361
Southoe & Midloe	157
Spaldwick	222
Steeple Gidding	10
Stilton	790
Stow Longa	60
Tetworth	18
The Stukeleys	731
Tilbrook	107
Toseland	38
Upton & Coppingford	87
Upwood & The Raveleys	411
Warboys	1350
Waresley	128
Water Newton	43
Winwick	41
Wistow	220
Woodhurst	153
Woodwalton	86
Yaxley	2808
Yelling	<u>140</u>
	<u>57434</u>

32. DPA, EIR, FOI AND PSI REQUEST PROCEDURE

With the aid of a report by the Heads of Information Management and of Legal and Estates (a copy of which is appended in the Minute Book) the Panel considered the terms of a corporate policy on dealing with requests for information received by the Council. Having noted that the policy reflected best practice, it was

RESOLVED

that the Data Protection Act (DPA), Environmental Information Regulations (EIR), Freedom of Information Act (FOI), and Public Sector Information (PSI) Procedure as outlined in the report now submitted be adopted.

33. RISK REGISTER

The Panel gave consideration to a report by the Head of Financial Services (a copy of which is appended in the Minute Book) on progress with the development of the Risk Register. Having been acquainted with the options that had been identified to mitigate further “red” residual risks, Members noted that work was ongoing to check the applicability of risks across the Council.

The report also contained proposed changes to the Risk Management Strategy. The changes reflected best practice by separating responsibilities for ensuring that an effective Risk Management Strategy was in place and for acting on mitigated risks.

RESOLVED

- (a) that the progress being made on dealing with “red” risks be noted; and

- (b) that the changes to the Risk Management Strategy contained in Annex B to the report now submitted be approved.

34. WHISTLEBLOWING: ANNUAL REVIEW OF THE POLICY AND PROCEDURE

The Panel received and noted a report by the Audit Manager (a copy of which is appended in the Minute Book) on the outcome of the annual review of the Whistleblowing Policy and Procedure.

35. REVIEW OF THE ANTI-FRAUD AND CORRUPTION STRATEGY

The Panel received and noted a report by the Audit Manager (a copy of which is appended in the Minute Book) on the outcome of a review of the Anti-Fraud and Corruption Strategy.

36. INTERNAL AUDIT SERVICE INTERIM REPORT 2006/07

The Panel received a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) summarising progress against the Annual Audit Plan 2006/07, which revealed that the work contained in the Plan was likely to be completed. As a result of work carried out, the Internal Audit Manager was of the view that the Council's systems continued to provide a limited level of assurance.

In response to a question the Panel was informed of the procedure resolving disagreements between managers and Internal Audit on the implementation of recommendations that arose from audits. Having discussed Executive Councillors' involvement in ensuring that agreed actions were implemented, it was

RESOLVED

- (a) that the report be noted;
- (b) that Directors and Heads of Service be reminded of the importance of introducing actions within the agreed timescales and of the Panel's view as to the perceived requirement for liaison with Executive Councillors, as appropriate, on progress in that respect; and
- (c) that the concern of the Corporate Governance Panel with regard to recorded performance on the implementation of agreed actions be noted.

37. ACCOUNTS AND AUDIT (AMENDMENT) REGULATIONS 2006

The Panel received and noted a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) on the implications for the Council of the Accounts and Audit (Amendment) Regulations 2006.

Chairman

REVIEW OF COUNCIL CONSTITUTION (Report by the Head of Administration)

1. INTRODUCTION

- 1.1 The Local Government Act 2000 changed fundamentally the way in which the District Council and local authorities generally had conducted their business for generations. It transformed the traditional “Committee System of decision making” throughout local government and replaced it with a limited choice of executive/scrutiny models, supported by a range of “non-executive” Panels. The District Council along with the majority of the local authorities then chose to implement the Leader/Cabinet model.
- 1.2 The complexity of the new arrangements required local authorities to adopt written constitutions to regulate their systems of governance and proceedings etc. The requirements of the Local Government Act 2000 were implemented fully in the District Council’s Constitution as from the Annual Meeting in May 2002. Since then and up to 2005, the Standards Committee and more recently the Corporate Governance Panel has undertaken an annual review of the Constitution in the light of the experience of individual Councillors, Cabinet, Panels, Chief Officers and Heads of Service over the preceding year. During the 2005 review, the Panel formed the view that the Constitution should be reviewed comprehensively at biennial interviews thereafter.
- 1.3 The Corporate Governance Panel was established by the Council in July 2004 to deal principally with the non-executive issues of audit, governance and finance. The Panel’s terms of reference include responsibility for “oversight of the Council’s constitutional arrangements and advising the Council on any changes that may be desirable”. This report introduces the review commissioned during the current year. Any changes recommended for adoption to the Council will take effect from the next Annual Meeting which is to be held on 16th May 2007.
- 1.4 Adopting the same approach as was undertaken in 2005, the Cabinet and all Panels have been offered the opportunity to comment collectively on those aspects of the Constitution which affect their terms of reference. Members were invited to submit comments individually and Chief Officers and Heads of Services similarly were requested to highlight issues which had arisen based on practical experience of the operation of the Constitution.
- 1.5 To identify the changes proposed, Members will need to refer to the Constitution circulated to them in October 2006. Alternatively a copy is available electronically on both the Council’s website and intranet. Members are requested to bring their copy with them to the meeting for reference.

2. GENERAL CHANGES

2.1 The Council may amend its Constitution at any time, subject to regard being paid to formal guidance issued by the Secretary of State. Any change will require reference to the Secretary of State only if the Council propose to change significantly the present form of executive and scrutiny arrangements.

2.2 The Constitution is divided into 16 Articles which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols. With the Constitution having operated satisfactorily for a number of years there appears little need for major change. However, the Constitution continues to evolve and requires regular adjustment to take account of updates in legislation and practice and for these reasons the text has been amended since 2005 to reflect –

- ◆ new legislation;
- ◆ alterations to -
 - table 2 – Appointments to Outside Organisations -
 - to reflect the addition/variation of appointments; and
 - table 4 – scheme of delegations (to incorporate subsequent amendments to the scheme)

3. ARTICLE 8 – REGULATORY AND OTHER COMMITTEES AND PANELS (PAGES 25/26)

3.1 The Gambling Act 2005 has now come into effect. Similar to the Licensing Act 2003, the Gambling Act specifies how the new powers and responsibilities should be undertaken by the Council. Three powers are specifically reserved to full Council, one of which may be delegated to the Licensing Committee created under the Licensing Act. All other powers must be administered by the Licensing Committee but can be delegated to Licensing Sub Committee's or (in certain circumstances) Officers.

3.2 This will necessitate the following changes to the Constitution –

- (a) In Article 4 – The Full Council, the following words should be added to Section 1 (a) – Policy Framework –

“◆ Gambling Act – Statement of Principles”

In order to differentiate with the Statement of Licensing Policy, it would also be preferable if the latter was reworded in Section 1 (a) as –

“◆ Licensing Act – Statement of Licensing Policy”

- (b) In Article 4 – The Full Council, the following words should be added to Section 2 –

“(j) passing a resolution not to issue casino premises licences.”

The existing paragraphs (j) to (l) will then need to be renumbered accordingly.

A further power is reserved to Council; ie. the setting of fees but this may be delegated. A separate report is being submitted to Council recommending that this be delegated to the Licensing Committee.

- (c) Table 2 of the Constitution will require amendment in relation to the functions of the Licensing Committee. It is proposed that the functions column relating to the Committee be amended as follows –

“To discharge the functions of the Council as Licensing Authority under the Licensing Act 2003 and the Gambling Act 2005 (with the exception of those functions which are reserved to Council as defined in Article 4).”

- (d) The Licensing Act and Gambling Act have repealed the previous legislation for the licensing of entertainment and betting, gaming and lotteries which were administered by the Licensing and Protection Panel. The words “gaming, entertainment” should therefore be deleted from the functions column of Table 2 in relation to the Licensing and Protection Panel.
- (e) A report is being submitted to the Licensing Committee on the delegations required to implement the Gambling Act. This will involve changes to Table 4 – the Scheme of Delegations by the addition of delegations to Officers. Certain delegations to Officers by the Licensing and Protection Panel will have been superseded by the changes to the legislation and will require rescission by that Panel. Those changes will be made to Table 4 after approval by the Licensing Committee and Licensing and Protection Panel respectively.

The Panel are recommended to approve the above changes.

4. PART 3: TABLE 5: RESPONSIBILITY FOR FUNCTIONS (PAGES 51 AND 151/1 AND 154/2)

- 4.1 There has been a growing tendency in local government to appoint Champions in recent years encouraged by the Audit Commission, Local Government Association and Others. Table 5 in the Constitution draws together the appointments that have been made by the Cabinet and other Panels. Although not formally required to be part of the Constitution, the inclusion of the table at this point is helpful to maintain a record of these appointments and for reference and access purposes. The Constitution would seem a suitable place to locate them. However, any changes do not require Council or Corporate Governance Panel consideration but it would be preferable to make this qualification clear on page 51 of the Constitution and in Table 5 itself.

- 4.2 **The Panel is therefore requested to note the addition of the following text on Page 51 and as a preamble to Table 5, pages 154/1 and 154/2 –**

“A number of “Member Champions” have been appointed by the Council. These are listed in Table 5. The Champions do not have executive or decision making responsibilities and as such Table 5 does not form part of the Council’s formal Constitution. However, the Champions are listed here for convenience and to highlight the role of each appointment”.

5. PART 4: COUNCIL PROCEDURE RULES (STANDING ORDERS) (PAGES 157 – 174)

5.1 General Principles

All local authorities have statutory powers to make discretionary Standing Orders under the Local Government Act 1972 –

- ◆ for the regulation of Council proceedings and business; and
- ◆ regarding the quorum, proceedings and place of meeting of their Panels, Committees etc.

A review of Standing Orders enables any practical procedural difficulties that have arisen over the operating period to be amended or modified. The following issues have arisen in this respect –

(a) Time and Place of Meetings (p159)

Rule 4 prescribes that meetings of the Council normally shall be convened at 2.30 pm. In special circumstances, the Chief Executive may fix some other hour for commencement. Councillor Downes has proposed that Council meetings should commence at 5.00 pm instead of 2.30 pm to encourage increased public interest in attendance and to facilitate the ability of working councillors to attend.

The Panel is invited to consider the suggestion.

(b) To amend a Motion (p162)

Currently, Rule 10 provides for a series of Motions to be moved without notice. This includes where a Member might wish to amend a recommendation (Motion) which forms part of the Council Agenda. In practice, a suggested form of wording for an amendment to a Motion is prepared and circulated to the Council to afford better understanding and clarity of what is being proposed. However, this practice is not formalised in the Council Procedure Rules. It is suggested that where a Member wishes to move an amendment that the wording of that amendment be made available in sufficient time for copies to be circulated prior to the commencement of a Council meeting. It is proposed that Rule 10 (h) be varied to read “**(h) to amend a motion; (the text of the proposed amendment to be forwarded to the Chief Executive, or in his absence, the Director of Central Services prior to the commencement of the meeting of the Council).**”

The Panel is invited to consider this suggestion.

(c) **Facilities for Broadcasts or Tape Recordings**

There is increasing scope for innovation in enhancing access to members of the public who are not able to attend meetings, especially on those occasions when the Council may be considering business of particular public interest. Currently the Council Procedure Rules do not provide any guidance in the event that a request is received by the Council asking for a meeting to be broadcast or recorded. It is expressly provided in Section 100A (7) of the Local Government Act (Access to Information) Act 1985 that:

“nothing.....shall require a principal council to permit the taking of photographs of any proceedings, or the use of any means to enable persons not present to see or hear any proceedings (whether at the time or later), or the making of any oral report on any proceedings as they take place.”

As there is no express prohibition of photography or video recordings etc. some local authorities now allow, for example, TV cameras and radio reporters to be present at meetings on special occasions so long as there is no adverse effect on the conduct of the proceedings. In anticipation of a request of this nature, it is proposed that the following paragraph be inserted into the Council’s Procedure Rules.

“17A Photography, Broadcasting and Recording of Meetings

Filming, videoing or audio recording of a meeting or photography at a Council meeting shall be permitted only with the consent of the Chairman of the meeting concerned. The necessary consent shall have been obtained and the Chief Executive, or in his absence, the Director of Central Services notified by no later than three working days before the meeting.”

The Panel is invited to consider the suggestion.

(d) **Quorum (p172)**

Council Procedure Rule 7 provides that no business may be transacted at a meeting of the Council unless at least one quarter of the whole number of Members of the Council are present. No specific quorum is prescribed by statute for meetings of committees and sub-committees. In practice this has caused some uncertainty in relation to those meetings which consist of less than ten members. For clarity, it is suggested that the following text be added to Rule 22.

“Regarding Rule No. 7 – in no case should the quorum of sub-committees and sub-groups be less than three Members.”

The Panel is invited to consider the suggestion.

5.2 **Public Speaking at Development Control Panel (p173)**

On the recommendation of the Panel, the Council at its meeting held on 6th December 2006 approved the principle of public speaking at meetings of the Development Control Panel. Subsequently, public speaking was introduced at the Development Control Panel in January. The procedure now followed by the Panel obviates a requirement for Rule 27 and it is suggested that this be deleted in its entirety. The Council agreed that the necessary changes may be made to accommodate the new procedure in the Constitution and it is proposed that the following text be inserted as a new Rule 27

“Rule 27 - Public Speaking at Development Control Panel

Where a planning application falls to be determined by the Development Control Panel and where appropriate notice has been given, an elected Member of the relevant town and parish council/meeting, the District Ward Member, the objector(s), the applicant(s) or their representatives shall be permitted to address the Panel on the application under the direction of the Chairman having regard to the guidelines at Annex (iii).”

Annex (iii) contains the procedure recommended by the Panel at their meeting held on 29th November 2006.

It is proposed that the text of the Constitution be amended accordingly.

5.3 Under the Council’s Policy and Strategic Framework, the adoption of the Council’s Development Plan is reserved to full Council. Consequently any variations to the Plan can only be made by full Council including planning applications which represent a departure from the Plan. On those occasions, the Panel had agreed that the process for consideration of the application should follow the same format as the deliberations of the Development Control Panel and therefore it is suggested that the following text be inserted as **Rule 27(a) -**

“In those circumstances where a planning application is to be determined by full Council, the Council’s Head of Planning Services or his representative and other relevant Officers shall be permitted to present reports to the Council and the public speaking process adopted by the Development Control Panel be applied.”

It is proposed that the text of the Constitution be amended accordingly.

It was envisaged that the Council would consider applications which represent a departure from the Council’s Development Plan, as currently provided under the Council’s Policy and Strategic Framework, and where an application is of such major significance that it is to be determined by the Council.

In response to concern expressed by the Development Control Panel and in the absence of a precise definition as to when a planning proposal is of such significance that it should be referred to the Council, it is suggested that the text of the Constitution be amended as follows:-

“Rule 27 (b) – Consideration of Departures from the Development Plan.

Planning applications considered to be a “significant” departure from the Development Plan shall, on the recommendation of the Development Control Panel, be considered by the Council having regard to advice received from the Heads of Planning Services and Legal and Estates Services and guidelines at Annex (iii). Applications considered to be “significant” are those specified

under the Town and Country Planning (Development Plan and Consultation) (Departures) Directions 1999 and having also to be referred to the Secretary of State as follows –

- ◆ a development which consists of or includes the provision of –
 - (i) more than 150 houses or flats; or
 - (ii) more than 5,000 square metres of gross retail, leisure, office or mixed commercial floorspace;
- ◆ development of land belonging to a planning authority by that authority or any other party; or for the development of any land by such an authority, whether alone or jointly with any other person; or
- ◆ any other development which, by reason of its scale or nature or the location of the land, would significantly prejudice the implementation of the development plan's policies and proposals.”

5.4 **Public Forum at Council Meetings**

Councillor Downes has submitted proposals on ways to broaden the role of full Council meetings by way of the introduction of a time limited session at the commencement of the Council in which Members of the public could be invited to put questions to the Leader of the Council, Cabinet Members and the Chairmen of the Overview and Scrutiny Panels. He considers that this initiative would further promote efficient, effective and accountable decision making and the active involvement of the public in Council meetings. A copy of a scheme that would enable citizens to participate in Council meetings has been submitted by Councillor Downes and this is reproduced as Appendix A hereto.

The Panel is requested to consider the issue.

5.5 **State of the District Address (p168)**

The Panel, at its meeting held on 23rd March 2005 considered a proposal by Councillor P J Downes to change the nature of and arrangements for the State of the District Debate, in the light of the outcome of an investigation and Member consultation. At that time, the Panel resolved that the Constitution should be amended to refer to an annual State of the District Address by the Leader, a response by the Leader(s) of the Opposition and a single oral contribution by other Members of the Council. Councillor Downes has re-submitted a modified version of his proposal for consideration. A suggested structure for a biennial state of the district half day conference is reproduced as Appendix B.

The Panel is requested to reconsider the introduction of a biennial state of the district conference.

5.6 **General**

In the past, the Council has experimented by holding Council meetings, with mixed success, at venues other than Pathfinder House. To progress the new Headquarters and Office Accommodation Project, that part of Pathfinder House which accommodates the Council Chamber and Meeting Rooms will be out of action for a period up to a year or longer. Councillor Downes had suggested that during the re-building of Pathfinder House, Council meetings be held in venues in different parts of the District to relieve car parking pressure and to

seek to encourage greater public participation and promote the Council's community leadership role.

It is probable that all meetings of the Council will require to be held at venues around the District and the Head of Administration has begun to undertake a project to identify those meeting spaces available, their capacities and associated facilities for this purpose. This exercise would present the opportunity for the Council to assess the extent of public interest in Council meetings. **The Panel is therefore requested to note this proposal.**

6. ESTABLISHMENT OF DISTRICT YOUTH FORUM

- 6.1 Councillor Downes has suggested that the Council establish a district youth forum bringing together representatives of youth councils and youth forums created locally by a number of town/parish councils. It is proposed that the youth forum could be invited to report quarterly to the Overview and Scrutiny Panel (Service Delivery) to give young people a voice within the Council and encourage an interest in local democracy. This proposal would build on work previously undertaken by the Panel on Services for Young People and the initiatives being pursued under the school citizenship programmes.

The views of the Panel are invited.

7. MEMBERS' ALLOWANCES (PAGES 285-290)

- 7.1 Following a review by the Independent Advisory Panel appointed to review the scheme of allowances payable to District Councillors, the Council approved at their meeting held on 21st February 2007 a revised scheme of Members allowances which provided for –

- ◆ increases in the level of basic allowance for all District Councillors and changes in the levels of special responsibility allowances;
- ◆ the continuation of the payment of travel and subsistence allowances in line with National Joint Council casual users mileage and subsistent rates for local government employees;
- ◆ the continuation of the use of the retail price index (RPI) as an automatic index mechanism to enable the Members allowances scheme to be adjusted, as necessary, to reflect inflation until 30th April 2011; and
- ◆ the adoption of a formula for calculating the standard and variable elements of the special responsibility allowance for the Leader of the Principal Opposition Group.

The revised Members' Allowances Scheme as approved by the Council will be incorporated into Section 6 of the Constitution.

8. CODES OF FINANCIAL MANAGEMENT AND PROCUREMENT (PAGES 209 – 234/4)

- 8.1 Changes to the Codes of Financial Management and Procurement are proposed. Amended copies of both Codes are attached as Appendices C and D. The changes to the Code of Procurement are relatively small and relate principally to the contracts register. The contracts register is a recently implemented database used to record key information about a purchase during its life cycle. The database will –

- ◆ create a single record of all contracts let by the Council with information on the types of contract, suppliers and values;

- ◆ support small businesses by providing current information on forthcoming opportunities;
- ◆ comply with FOIA best practice by publishing current contract information on the internet;
- ◆ automatically warn contract owners of contracts shortly due for renewal;
- ◆ meet EU requirements to advertise contracts and reduce the need to advertise elsewhere;
- ◆ reduce the time to run full EU competitions by up to ten days;
- ◆ support the management of single tenders by Central Services; and
- ◆ simplify reporting to the Department of Communities and Local Government and the Regional Centre of Excellence.

8.2 The success of the contracts register will depend on its wholesale adoption by Officers and the proposed changes create a measure of compunction previously missing. Other minor amendments have been made to the wording in relation to framework contracts following the publication of The Public Contracts Regulations, 2006 and others to improve clarity and accuracy. The proposed amendments are highlighted in blue text.

8.3 Reproduced at Appendix D is a proposed Code of Financial Management. It incorporates a number of changes but many of them are quite minor. The significant ones involve

- ◆ formalising the financial monitoring process (para 3.1);
- ◆ setting rules for entering into commitments for future years (para 3.2);
- ◆ the introduction of a new process for additional spending with compensatory savings (para 3.5); and
- ◆ revising the section on Budget Transfers to provide the flexibility needed to meet the twin requirements of Growing Success and achieving the Council's savings targets (para 3.6).

The Panel is requested to recommend to Council the adoption of revised Codes of Financial Management and of Procurement.

9. OBSERVATIONS OF THE CABINET, PANELS AND COMMITTEE

9.1 The views of the Development Control Panel have been reflected elsewhere in this report. Although not raised during the course of this review, the Cabinet has expressed the view that substitution arrangements should not form part of the Constitution.

9.2 However, the Overview and Scrutiny Panel (Service Delivery) has made a recommendation in respect of the arrangements for compilation of the Forward Plan which are detailed in the Access to Information Rules (p183). The Forward Plan contains matters which the Leader has reason to believe will be subject to a key decision to be taken by the Cabinet. The Forward Plan also specifies the date on which the decision will be taken. The Panel has raised concern about those occasions when new items appear on the Plan to be considered by the Cabinet on a date which denies the opportunity for that business to be scrutinised by the Panel. In this light, the Panel has recommended that the Constitution be amended to require the Chairman, or in his absence, the Vice-Chairman of the relevant Overview and Scrutiny Panel to permit a decision to be taken on an item on a date earlier than that referred to in the Forward Plan.

9.3 Whilst, the concerns of the Overview and Scrutiny Panel (Service Delivery) are acknowledged, paragraph 15 of the Access to Information Procedure

Rules (p185) allows, given certain circumstances, a key decision still to be taken even if that decision has not been included in the Forward Plan. Although the majority of business considered by the Cabinet can be programmed in advance, there will always be circumstances when items arise that are unforeseen but still require to be dealt within a prescribed timescale. The rules contained in paragraphs 15 and 16 are drafted to manage these circumstances. It would perhaps be unmanageable were the Chairman of a Scrutiny Panel to have the authority to veto, totally, consideration of Cabinet business which was entered late on the Forward Plan. It would also be unlikely that an author could risk their report being deferred by a Scrutiny Chairman by including that business, albeit late, on the Forward Plan when failure to place an item on the Forward Plan, under the terms of paragraph 15 would not prohibit it being considered by the Scrutiny Panel, in any event.

The Panel is requested to consider the issue.

10. RECOMMENDATION

- 10.1 The Panel is requested to consider the recommendations contained in the foregoing paragraphs and to recommend to full Council accordingly.

BACKGROUND PAPERS

HDC Constitution

Minutes of the meetings of the Cabinet, Overview and Scrutiny Panel (Service Delivery) and Development Control Panel.

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DISTRICT COUNCIL PUBLIC QUESTION TIME: GUIDELINES

1. INTRODUCTION

- 1.1 There will be an opportunity for members of the public to ask questions at meetings of the District Council, with up to 15 minutes being available for questions from the public at each ordinary meeting of the District Council (excluding the annual meeting of a new Council and extraordinary meetings). The conduct of public question time will be regulated by the Chairman of Council, having regard to the following guidelines. The Chairman's decision on the relevance of a question and on the method of dealing with any issue in connection with this procedure will be final.

2. CONTENT OF QUESTIONS

- 2.1 All questions:

- Must be clear and concise and be relevant to matters for which the Council has powers or duties.
- Should be limited to obtaining information or pressing for action.
- Should be capable of being adequately answered in two minutes.

- 2.2 Questions should not:

- Contain offensive expressions.
- Divulge, or require the answer to divulge, confidential or exempt information.

3. RECIPIENTS OF QUESTIONS

- 3.1 Questions may only be asked of the following:

- The Leader of Council.
- A portfolio holder (Cabinet member).
- The Chairman of a Scrutiny Committee.

4. PROCEDURE

- 4.1 Members of the public wishing to ask a question at the Council meeting should provide the following details to the Council's Democratic Services by no later than 12.00 noon, two working days before the meeting:

- Name and address and contact details of the person asking the question.
- The name of the organisation if the question is being asked on their behalf.
- Details of the question to be asked.
- The name or position of the member of the Council to whom it is to be put.
- Brief information about how the subject of the question relates to the person asking the question (e.g. as a resident of the area, as a recipient of a service, the owner of a property affected by a proposal).

Only one question may be asked by each member of the public or organisation and the question must relate to a single topic.

4.2 The following process will apply at the meeting:

- The Chairman will invite questions to be asked at the meeting in the order in which they are received by Democratic Services.
- The Chairman of the Council will invite the member of the public to put his/her question from the floor of the Council Chamber using the microphone provided.
- The member of the public will then ask their question. Up to a maximum of two minutes will be allowed in which to ask the question
- The named member will respond to the question which may take the form of:
 - (a) a direct oral response of up to a maximum of two minutes;
 - (b) where the desired information is in a publication of the Council or other published work, a reference to that publication; or
 - (c) where the reply cannot conveniently be given orally, a written response circulated later to the questioner and made available to all members of Council and to the public.
- After the response has been given, the questioner has up to a further minute in which to put one supplementary question or seek clarification of the response to the original question. The supplementary question must arise directly out of the original question or the reply and must not introduce new material.
- The recipient of the original question then has up to a further two minutes in which to reply to the supplementary question.
- The Chairman of the Council may, in exceptional circumstances, extend the time either for a question or its response.
- Any question which cannot be dealt with during public question time, either because of lack of time or because of the non-attendance of the member to whom it was to be put, will be dealt with by a written response.
- No debate will be allowed on any question or the response.
- A transcript of Public Question Time will be made available to all members of the Council and to the public following the meeting.

STATE OF THE DISTRICT CONFERENCE

I propose that every two years there should be a 'State of the District' half-day conference on the second Saturday in September. The public would be invited to come and it would be made clear that they would be able to speak during the morning. Specific invitations to be sent to Parish Councils, local business and various representative bodies, including those for Young People.

The structure of this Conference could be as follows:

- 9.30 Welcome from Council Leader and general outline of the key issues facing the District at this time
- 9.45 Three minute presentations from each Portfolio holder outlining the major topics on the work programme for each area of the District's functions
- 10. 20 Brief statement from the Leader of the Opposition, again highlighting the key issues for consideration from an Opposition perspective.
- 10.30 Coffee break
- 10.50.1 Conference splits into working groups, each one containing a Portfolio holder and at least two members of each Scrutiny Panel. Public choose which one they wish to attend and take a full part in the questions and discussion. A scribe to take notes of the main issues emerging.
- 11.40 Re-convene in plenary to receive a succinct report from each working group
- 12.10.1 Open forum for any member of the public to raise any other issue which has not arisen during the working groups
- 12.25.1 Final comments and thanks from Leader
- 12.30.1 End of Conference

The Hinchingsbrooke Performing Arts Centre would make an ideal venue as there is a good auditorium for the plenary sessions, catering facilities for coffee and there are plenty of nearby rooms for the break-out session.

The following Council meeting, at the end of September, would then have an item during which the Leader and Councillors could respond to what has been heard at the SOTD Conference, having had time to reflect on it for a couple of weeks. This would be early enough in the cycle for important matters to be taken into consideration before the budget cycle and MTP process is too far gone. The Conference might also generate issues for the Scrutiny Panels to consider in greater detail.

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 This Code applies to the procurement, 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; and
 - ◆ consultants, agents and professional services.
- 1.3 This Code does not apply to purchases made from internal management units.
- 1.4 The Code applies also to the sale of assets and goods by the Council where the appropriate Head of Service estimates that the assets, goods or services to be sold exceed £1000. Where the value is estimated to be less than £1000 then the 'Sale of Equipment' procedures contained within the Inventory procedures shall be followed.
- 1.5 The Council includes the Cabinet, panels, committees or other body or person(s) acting in accordance with delegated authority on behalf or the Council.
- 1.6 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 and Code of Financial Management and British or European Union law or regulation.
- 1.7 Throughout the Code, reference to contractor(s) or sub-contractor(s) shall mean any person, company or supplier who has -
- ◆ requested to be on an approved or ad-hoc approved list of tenderers;
 - ◆ been approached to provide a quotation or tender;
 - ◆ provided a quotation or tender; or
 - ◆ been awarded a contract in accordance with the provisions of this Code.
- 1.8 The Head of Financial Services shall annually review all the financial values contained in the Code to take account of the impact of inflation. The Head of Financial Services shall inform all Heads of Service of any amendments to the values prior to the 1st April from which they shall be operative.

2. REPORTING PROCEDURES AND EU COMPLIANCE

2.1 EU Procurement Directives require the Council, to report procurements likely to exceed EU thresholds, both at the start of the year and on an ad-hoc basis as new or changed requirements arise. The ODPM also seeks a financial year-end report based on procurements and contracts advertised on the Official Journal of the European Union (OJEU). The EU thresholds are:

Contract	Threshold Euros	Threshold £ (Approx)
Supplies	€200,000	£ 144,371
Services	€200,000	£ 144,371
Works	€5,000,000	£ 3,611,319

2.2 Financial Year Start Reporting

At the start of each financial year (1 April) Heads of Service shall:

- ◆ provide the following information to the Procurement Manager -
 - Details of each contract expected to be advertised in the following year.
 - An estimate of the total value for each discrete procurement area where the spend is likely to exceed £100,000.
- ◆ advertise very brief details of each contract expected to be advertised in the following year. The advertisement shall take the form of a Prior information Notice (PIN). The publishing of a PIN does not commit the Council, but can reduce timescales if the requirement is subsequently advertised through OJEU.

A PIN is also required if the estimate of the aggregated value of the contracts for a given coding class exceeds the published PIN thresholds:

Contract	Threshold Euros	Threshold £ (Approx)
Supplies	€750,000	£ 480,000
Services	€750,000	£ 480,000
Works	€5,000,00	£ 3,834,000

Contract values are the Council's aggregated spend and not individual Directorates or Services. Therefore, the Procurement Manager shall advise the Head of Service if their aggregated spend is to be advertised as a PIN.

Aggregated values can be calculated by one of the following methods -

- ◆ the total value purchased over the last financial year; or
- ◆ the estimated value of all contracts expected to be placed in the next financial year or the term of the contract if that is longer; or
- ◆ where the contract is open-ended or of uncertain duration, such as those for the hire of goods or for the delivery of a particular service, the value is based on the estimated average monthly expenditure multiplied by 48 (4 years).

2.3 **Through Year Reporting**

Heads of Service shall report, using a PIN where time permits, new or additional requirements likely to meet or exceed EU thresholds as they arise.

2.4 **End of Year Reporting**

ODPM seeks a report each year from all Councils regarding contracts awarded through OJEU during the previous year. By the 30 Apr each year, Heads of Service shall provide the Procurement Manager with the following details for contracts placed through OJEU procedures -

- ◆ Services: Service Category.
- ◆ Supplies: Nipro Class.
- ◆ Works: Nace Group.
- ◆ Service Provider Nationality.
- ◆ Award Procedure:
- ◆ Justifications if Negotiated procedure.
- ◆ Value.

3. **CONTRACTS REGISTER**

3.1 Heads of Service shall ensure that all procurements over £5,000 are recorded in the Contracts Register

4. **METHODS OF ORDERING**

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

- ◆ An order raised on CedAR Purchase Order Process.
- ◆ A Procurement Card Order.
- ◆ An Electronic order
- ◆ A Manual Purchase Order.

4.2 Use of an appropriate ordering method ensures that the Council achieves -

- ◆ The opportunity to obtain leverage for volume.
- ◆ Regulatory compliance.
- ◆ Visibility of all procurement activity.

4.3 Where there is an exception requirement and the relevant Director or Head of Service considers that the work is of an emergency nature necessary to enable the service to continue and none of the ordering methods are suitable, the relevant Director or Head of Service shall record the details of the exceptional requirement and the action taken for future Audit.

5. **'BEST VALUE' AND THE NEED TO COMPETE REQUIREMENTS**

5.1 The Council seeks 'Best Value' in all procurement activity and will standardise on 'adopted' corporate contracts and frameworks. An adopted contract and framework is the preferred contract for the Council's business within a defined category (a type or group of goods or services). The Procurement Manager shall recommend a contract or framework as 'adopted' to COMT and, subject to approval, shall publish details in Procurement Protocols & Guidelines. Heads of Service shall ensure that orders for such categories are placed through the appropriate 'adopted' framework. The Procurement Manager shall keep under review the continued suitability of any such contracts or framework agreements.

5.2 Where there is no adopted contract or framework, Heads of Service shall, wherever practicable, seek to maximise contract values with other Heads of Service to secure lower costs.

5.3 Where there is no adopted contract or framework, the Council nevertheless wishes to balance the effort of going to the Market with the effort and efficiency of the procurement process. Heads of Service 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 5.6.

Estimated Total Value of Procurement	1.2 Requirement
Up to £5,000	Estimates or offers shall be obtained and recorded to ensure the Head of Service has obtained Best Value.
£5,001 to £30,000	Competitive written quotations or offers shall be invited, unless the Head of Service has complied in full with paragraph 6.3e of this Code.
£30,001 to European Union 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 12.2.
Above the EU Threshold specified below	The appropriate EU procurement directive shall be complied with.

5.4 A Head of Service may choose to competitively tender requirements less than £30,000.

5.5 Achieving 'Best Value' needs valid competition and valid competition is dependant 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 Heads of Service shall ensure that wherever possible -

- ◆ the selection process they are using is fair and equitable, and that no favouritism is shown to any one contractor.
- ◆ checks are made to ensure that contractors are interested in this type of business.
- ◆ 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.
- ◆ 'new' contractors are sought and invited to tender or quote.
- ◆ the geographic area of the search for potential contractors is widened.
- ◆ 'no-bids' are checked for the reasons for a contractor's failure to bid.

5.6 Exceptions

Nothing in this Code shall require tenders to be sought: -

(a) for purchases through any local authority or government consortium, collaboration or similar body, where the procurement rules of that organisation have been adopted, and;

- ◆ where the contract created is to our requirements or in the case of collaboration, agreed joint requirements, or
- ◆ where there is a single supplier 'call-off contract' or catalogue created with fixed prices, or
- ◆ where there is a multi-supplier framework (and where the framework rules require competitive quotes).

(b) for purchases made at public auction;

- (c) where the relevant Director or Head of Service -
- ◆ considers that the work is of an emergency nature or is necessary to enable the service to continue; or
 - ◆ with the Head of Financial Services' 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.
- (e) The relevant Director or Head of Service shall report details of all work awarded under paragraph (d) ante -
- ◆ to the Director of Central Services who shall make a record in a register kept for that purpose; and
 - ◆ to the next meeting of the Cabinet.

6. QUOTATION AND TENDER METHODS AND PROCEDURES

6.1 Form of Tenders and Requests for Quotations

To support the Council complying with the Freedom of Information Act 2000 (FOIA), all tenders and requests for quotations shall include as a minimum -

“All information supplied to the Authority will be subject to the provisions of the Freedom of Information Act 2000 and as such may be disclosed by the Authority when required to do so under the Act. When such disclosure is necessary the Authority shall use reasonable endeavours to consult with the provider of the information prior to disclosure”.

6.2 Recording of Quotation Requests and Tenders

The Head of Service shall keep a record, [using the Contracts register](#), of -

- ◆ all those contractors that were requested to [quote or tender](#);
- ◆ the reasons why those particular contractors were selected to [quote or tender](#); and
- ◆ if applicable, the reasons why less than three contractors were selected to [quote or tender](#).

6.3 Tendering Options

Heads of Service shall select one of the following tendering methods. If any alternative tendering method is proposed then approval of the Cabinet is required before the proposed tendering option is followed. In selecting contractors who are to be requested to provide a tender Heads of Service shall comply with paragraph 5.5.

<i>Tender Option</i>	Requirement
A. Ad Hoc Tender Open tender	Public notice shall 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 tender documentation can be obtained, and state the closing date for the receipt of tenders. Where the Head of Service is satisfied that Expressions of Interest received from a Contracts Register Notice represent contractors with genuine interest and capacity, then no further Public Notice is required.
B. Approved List of Tenderers Restricted tender	Tenders shall be invited from at least three contractors selected from an approved list established in accordance with paragraph 7.1 of this Code.
C. Ad Hoc Approved List of Tenderers Open restricted tender	Tenders shall be invited from a list of contractors compiled in accordance with paragraph 8.1 of this Code for a specific contract.
D. Serial Tenders	The proposed contract shall form part of a serial programme. The contract terms shall be negotiated with a contractor, using as a basis for negotiation the rates and prices contained in an initial contract that was awarded following a competitive tendering process that complied with this Code. No more than two serial contracts shall be negotiated from an initial contract.
E. Single Tenders / Quotations	A Head of Service after consulting the Director of Central Services may obtain a single tender (or quotation – see paragraph 6.3 above) when: <ul style="list-style-type: none"> • Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available. • 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. • Specialist consultants, agents or professional advisers are required and <ul style="list-style-type: none"> ○ there 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. • Products are sold at a fixed price, and market conditions make genuine competition impossible. • No satisfactory alternative is available. <p>If the Single Tender option is used, the Head of Service shall:</p> <ul style="list-style-type: none"> • notify the Director of Central Services who shall make a record in a register kept for that purpose; • retain records that demonstrate that the best price or value for money has been obtained from the negotiations with the tenderer.

Except to the extent that the Cabinet in a particular case or specified categories of contract otherwise decides, all quotations or tenders that are being sought shall -

- ◆ include approved contract terms in accordance with paragraph 11.2 of this Code;
- ◆ be based on a definite written specification, which shall include an award criteria, which if it is not to be the lowest price shall be agreed by the appropriate Director;
- ◆ if appropriate, include a requirement for a performance bond and liquidated damages.

6.4 Non-Traditional Procurement

If a Head of Service believes that by following one of the procurement procedures detailed in paragraph 5.3 above, that the procurement process will not provide him with the most appropriate method of service delivery, the most competitive prices, allow for continuous improvements in service delivery, or stifle procurement innovation, then he may suggest alternative procurement strategies.

The Head of Service shall produce, in accordance with guidance issued by the Director of Central Services and prior to proceeding with the procurement, a written procurement strategy that shall be approved by the Director of Central Services and the Cabinet.

7. PROCEDURE FOR THE APPROVAL AND MAINTENANCE OF APPROVED LISTS OF TENDERERS

7.1 Only those lists containing details of contractors that are compiled and maintained by an external organisation to the satisfaction of the Director of Central Services, after consultation with the Head of Financial Service and the other relevant Heads of Service shall be adopted as approved lists of tenderers. The Procurement Manager shall ensure that the external organisation and approved list of contractors is detailed in Procurement Protocols & Guidelines.

7.2 If a Head of Service believes that the approved list of tenders does not allow him to obtain sufficient competition for 'Best Value', the Head of Service shall write to the Director of Central Services seeking approval to source additional contractors. Instructions for sourcing additional contractors are detailed in Procurement Protocols & Guidelines. All additional contractors sourced will be required to complete the approved list checks and their inclusion in competition will depend on satisfactory completion of the checks.

7.3 The Director of Central Services in conjunction with the Head of Financial Services and relevant Heads of Service shall review the continued suitability of an Approved List of Tenderers periodically and at least prior to the third anniversary of its initial or further adoption.

8. PROCEDURE FOR THE APPROVAL OF AD-HOC APPROVED LISTS OF TENDERERS

8.1 A public notice shall be issued inviting applications for inclusion on a specific approved list for the supply of goods, services or materials. The ad-hoc

approved list of tenderers shall be established from contractors replying to the public notice or who have requested within the previous 12 months to be included on an ad-hoc approved list for work of a similar nature.

8.2 The Head of Service shall undertake sufficient vetting to ensure that **tenderers appointed to** ad-hoc approved lists shall -

- ◆ **comply with minimum standards of Insurance, Health & Safety and Financial viability based on a risk based assessment. Guidance can be found on the appropriate intranet page or from the Audit & Risk Manager or Health & Safety Advisor.**
- ◆ be approved by the appropriate Head of Service after consultation with the Director of Central Services and the Head of Financial Services; and
- ◆ only be used for seeking tenders for the supply of goods, services or materials specifically detailed within the original public notice.

9. SUB-CONTRACTS AND NOMINATED SUPPLIERS

9.1 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.

9.2 The relevant Head of Service is authorised to nominate to a main contractor a sub-contractor whose quotation or tender has been obtained in full accordance with this Code.

10. RECEIPT AND OPENING OF TENDERS AND QUOTATIONS

10.1 Where tenders or quotations are invited in accordance with this Code no tender or quotation will be considered unless -

- ◆ contained in a plain envelope which shall be securely sealed and shall bear the word "Tender" or "Quotation" followed by the subject to which it relates; or
- ◆ it has been sent electronically to a specific e-mail address, which the appropriate Head of Service shall obtain from the Head of Information Management.

10.2 Further to paragraph 10.1 above -

- ◆ the envelope shall not bear any distinguishing matter or mark intended to indicate the identity of the sender. Contractors shall be notified accordingly. Such envelope shall be addressed impersonally to the Director of Central Services if it contains a "Tender" or the appropriate Head of Service if it contains a "Quotation"; and
- ◆ the Head of Information Technology shall ensure that the e-mail address is secure, can only be accessed by the Director of Central Services or officers specifically appointed by him.

10.3 All envelopes or e-mails received shall be kept securely and shall not be opened or accessed until the time appointed for their opening.

10.4 All tenders or quotations invited in accordance with this Code shall be opened at one time only and by at least two officers -

- ◆ tenders shall be opened by officers nominated by the Director of Central Services and by the appropriate Head of Service. The Head of Financial Services shall be notified of the time and place appointed for the opening; and
- ◆ quotations shall be opened by the appropriate Head of Service and/or his nominee(s).

10.5 All tenders or quotations upon opening shall be recorded in writing on either a tender or quotation opening record, as is appropriate. The format of the opening record shall have been previously agreed with the Director of Central Services and Head of Financial Services. The Form of Tender or Quotation and any accompanying documentation shall be marked with the date of opening, and signed by all officers present at the opening. The tender or quotation opening record shall be signed by at least two officers present at the opening.

10.6 The original opening record shall be retained by the Director of Central Services in respect of tenders, and the relevant Head of Service in respect of quotations.

10.7 Any tenders or quotations received after the specified time shall be returned promptly to the contractor by the Director of Central Services or his nominated officer in respect of tenders, or by the appropriate Head of Service or his nominated officer in respect of a quotation. 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.

11. ACCEPTANCE OF TENDERS AND QUOTATIONS

11.1 The appropriate Head of Service 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, either -

- ◆ the lowest priced tender or quotation; or
- ◆ the most economically advantageous tender or quotation, as evaluated against the award criteria.

11.2 Tenders or quotations exceeding the approved estimate may only be accepted once approval to further expenditure is obtained.

11.3 If the lowest priced, or most economically advantageous exceeds £30,000 -

- ◆ but is within 15% of the original estimate, the appropriate Head of Service may accept the quotation without seeking further competition; and
- ◆ is in excess of 15% of the original estimate then a competitive tender exercise in accordance with paragraph 6.3 above shall be carried out, unless the appropriate Head of Service has consulted and obtained the approval of the Director of Central Services and relevant executive councillor that the quotation can be accepted.

11.4 A tender or quotation shall not be accepted -

(a) where payment is to be made by the Council and -

- ◆ it is not the lowest priced tender or quotation, or

- ◆ 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, or
 - ◆ in cases of urgency, the Director of Central Services has consulted and obtained the approval of the relevant executive councillor. Tenders or quotations accepted in this way shall be reported by the appropriate Head of Service to the next meeting of the Cabinet.

11.5 Where post-tender negotiations have been undertaken in accordance with paragraph 11.6 below, the appropriate Head of Service shall only accept the lowest priced tender received. A tender other than the lowest shall not be accepted until the Cabinet have considered a written report from the appropriate Head of Service, and recommended acceptance of a tender other than the lowest.

11.6. Arithmetical Errors and Post-Tender Negotiations

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.

In evaluating tenders, the appropriate Head of Service may invite one or more contractors who have submitted a tender to submit a revised offer following post-tender negotiations.

All post-tender negotiations shall -

- ◆ only be undertaken where permitted by law and where the appropriate Head of Service, Head of Legal and Estates and Head of Financial Services 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 appropriate Head of Service, Director of Central Services and Head of Financial Services;
- ◆ be conducted in accordance with guidance issued by the Director of Central Services; and
- ◆ not disclose commercially sensitive information supplied by other bidders for the contract.

Post-tender negotiations shall not be used to degrade the original specification unless the capital or revenue budget is exceeded, or the appropriate Director or Head of Service considers other special circumstances exist, in which case all those contractors who originally submitted a tender shall be given the opportunity to re-tender.

The appropriate Head of Service 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.

12. TERMS OF BUSINESS AND THE FORM OF CONTRACTS

12.1 All orders placed by the Council shall be on the Council's Terms and Conditions (T&Cs). Heads of Service 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. Where a contractor formally insists on trading on T&Cs other than the Council's T&Cs, the Procurement Officer shall be informed, except for -

- ◆ Any contract where the estimated total value is likely to exceed £30,000, paragraph 12.2 shall apply.
- ◆ Any framework or contract formally adopted by the Council.
- ◆ ESPO arranged contracts and orders.
- ◆ Orders of a total value of less than £ 5,000 where the goods or service are purchased on a 'retail' basis on terms available to the general public.
- ◆ Orders for software where the licence is for 'standard' product but not where customisation, development or on-site service is required for the 'standard' product.

12.2 Every contract that exceeds £30,000 in value shall be in writing in a form approved by the Head of Legal and Estates who shall also determine the format of any contract for a lesser value. Heads of Section shall ensure that advice of the Head of Legal and Estates is sought at a stage as early as practicable (normally before the issue of an Invitation to Tender).

12.3 In the case of any contract for the execution of works or for the supply of goods, services or materials, the Head of Service after consulting with the Head of Financial Services and the Head of Legal and Estates 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.

12.4 Heads of Service shall produce the final version of all contracts in 2 copies and present both to the Authorised Officer for signature. Once signed by the contractor, the signed contract, all original documents, including specifications, drawings, tender documents and correspondence relating to a contract exceeding a total value of £30,000 shall be forwarded by the Head of Legal and Estates. Where the total value of the contract is less than £30,000 the relevant Head of Services shall make arrangements for the retention of all the original documentation.

12.5 Heads of Service 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).

12.6 Heads of Service shall include the specific T&Cs listed in the Procurement Protocols & Guidance in all contracts. Where a Head of Service considers a term or condition inappropriate they shall seek advice of the Head of Legal and Estates on the modification or deletion of the term or condition.

13. LETTERS OF INTENT

13.1 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.

13.2 Heads of Service shall ensure that:-

- (a) all letters of intent are in a form approved by Head of Legal and Estates;
- (b) all letters of intent are signed by an Authorised Officer 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.

14. RETENTION OF DOCUMENTS

14.1 Heads of Service shall ensure that every contract or order is assigned a unique reference number to be used in all correspondence. The unique reference number 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.

14.2 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
 - ◆ Evaluation 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.

15. FREEDOM OF INFORMATION ACT 2000 (FOIA)

- 15.1 Heads of Sections 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.

16. CONSULTANTS

- 16.1 It shall be a condition of the engagement of any consultant, agent or professional adviser who is to be responsible to the Council for the management or supervision of a contract on its behalf, that in relation to that contract he shall -
- ◆ comply with this Code as though he were an employee of the Council;
 - ◆ at any time during the carrying out of the contract produce to the appropriate Head of Service, on request, all the records maintained by him in relation to the contract; and
 - ◆ on completion of the contract transmit all records that he has produced or received that relate to the contract to the appropriate Head of Service.

17. PROCUREMENT TRAINING

- 17.1 The Procurement Manger shall create, maintain and arrange the delivery of training for Officers undertaking procurement duties.
- 17.2 Heads of Service shall ensure that all Officers routinely undertaking purchasing or procurement duties have undertaken appropriate training.
- 17.2 Head of HR and Payroll Services shall arrange to record the details of staff that have completed suitable procurement training.

CODE OF FINANCIAL MANAGEMENT

1. FINANCIAL RESPONSIBILITIES

1.1 General

Before any proposal that affects the Council's financial position is made the body or person(s) responsible for making that decision shall consider a written report, approved by the Director of Commerce and Technology, detailing the financial implications.

1.2 The Council

Will determine the Council's Financial Strategy, including a Medium Term Financial Plan (MTP), approve the annual budget and Prudential Indicators and set the level of the council tax.

Will approve the Council's Treasury Management Strategy.

1.3 The Corporate Governance Panel

Will ensure that the financial management of the Council is adequate and effective.

Will ensure that the Council has a sound system of internal control including arrangements for the management of risk.

Will consider the Council's Code of Corporate Governance and approve the annual statement.

Will approve the terms of reference and strategy for internal audit and comment on the annual internal and external audit plans.

Will consider the external auditor's annual management letter.

Will approve the Council's tax base and final accounts.

1.4 The Cabinet

Will propose to the Council the Financial Strategy, the MTP, the annual budget and council tax level, after appropriate consultation which will include the appropriate Overview and Scrutiny Panel, the Prudential Indicators and the annual Treasury Management Strategy.

Will set financial priorities, allocate and re-allocate resources in accordance with the limits in this Code, monitor and review financial performance and adopt a Treasury Management Policy.

1.5 Overview and Scrutiny Panels

Will contribute to the development of, and review the effectiveness of, the Council's Financial Strategy, MTP and annual budget.

1.6 Panels or Committees

Will ensure that all decisions within their remit are made within the resources allocated within relevant budgets and are consistent with achieving the Council's objectives. If they wish to make proposals that will require additional resources these will need to be subject to the Cabinet or Council making these available.

1.7 **Members and Employees**

Will contribute to the general stewardship, integrity and confidence in the Council's financial affairs and comply with this Code and any systems, procedures, or policies relating to the financial management of the Council.

Specifically, they shall bring to the attention of the Director of Commerce and Technology any act or omission that is contrary to the provisions of this Code or the maintenance of high standards of financial probity, and provide information or explanation on matters within their responsibility to him/her, the Monitoring Officer, Internal Audit Service or the Council's external auditors.

Any member or officer who is involved or who has an interest in a transaction between a third party and the Council shall declare the nature and amount, if material, as required by the Accounting Standards Body's Financial Reporting Standard on related party payments.

1.8 **The Director of Central Services, as Monitoring Officer** or, in his/her absence, the Head of Legal and Estates

Will report to the Council on any proposal, decision or omission that in his/her view is likely to result in the contravention of the law or any code of practice enacted under it, fails to comply with a legal duty, represents maladministration or is unjust, in accordance with section 5 of the Local Government and Housing Act 1989.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.9 **The Director of Commerce and Technology, as Chief Finance Officer** or, in his/her absence, the Head of Financial Services

Will be responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of a decision or action leading to unlawful expenditure, a loss or deficiency or an unlawful accounting entry (in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Act 1988 and the Accounts and Audit Regulations).

Will be responsible for ensuring the final accounts are completed and published by the statutory dates and reporting the details of any material amendments specified by the external auditor to the Corporate Governance Panel.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.10 **The Head of Financial Services**

Will be responsible for detailed and operational aspects of the administration of the Council's financial affairs on behalf of the Director of Commerce and Technology, approving new financial systems and undertaking such duties as are set out in this Code.

1.11 Chief Officers and Heads of Service

Whilst Chief Officers will take ultimate responsibility for their employees actions, the Council's management structure is based on Heads of Service or, in a few cases, Chief Officers taking prime responsibility for a service and its related budget.

The Manager responsible for a budget:

- may incur financial commitments and liabilities in accordance with this Code, the Council's Scheme of Delegation and resources allocated in budgets that have been released. In particular they may make purchases of goods and services, subject to the requirements of the Code of Procurement, and employ staff, in accordance with the Officer Employment Procedure Rules. They will normally delegate appropriate elements of this responsibility to members of their staff.
- will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.
- will be responsible for proper financial and resource management and the prevention of fraud and corruption within the services and functions under their control.
- will determine the inherent risks, within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of internal control and financial monitoring, in consultation with the Internal Audit Service, and ensure that relevant employees or Members are familiar with such systems.
- will be responsible for providing in a timely manner, the information necessary to ensure that the final accounts can be completed by the statutory deadlines.
- will be responsible for reviewing and varying fees and charges at least annually for services under their control, after consultation with the relevant Executive Councillor(s) and/or Chairman of the relevant Panel. In doing so, they shall:
 - ensure that relevant legislation is complied with, particularly where it specifies the charges to be made or constrains them in some way.
 - having regard to the charges of any alternative service providers with whom the Council is competing, seek to maximise income, net of applicable costs, as far as is possible without compromising the Council's stated corporate priorities and objectives.

- provide discounts where they are expected to stimulate demand and generate additional net income which would otherwise not be obtained and/or they are in the best interests of the service and its customers, particularly where they make the services available to those who could not otherwise afford them, provided that such discounts do not result in additional net cost to the Council.

1.12 **Internal Audit**

Will be responsible for providing an independent and objective opinion on internal control, risk management and governance systems. In accordance with its terms of reference it shall undertake audit reviews that focus on areas of greatest risk to the Council in accordance with a programme agreed annually by the Director of Commerce and Technology after consultation with Heads of Service.

For these purposes internal audit shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

2. FINANCIAL AND SERVICE PLANNING

2.1 In the Summer - Overall Review

The Cabinet shall review the financial performance of the Council in the previous year, compared with the annual budget, on the basis of a report prepared by the Head of Financial Services in conjunction with Heads of Service.

2.2 In the Autumn - Financial Strategy

The Cabinet, after consultation with the relevant Overview and Scrutiny Panel and any appropriate organisations or bodies, shall recommend to the Council a Financial Strategy which will be used to determine the overall financial limits within which the annual budget and MTP will be prepared.

2.3 In the Winter - Annual Budget and MTP

The Cabinet shall, after consultation with the relevant Overview and Scrutiny Panel, recommend to the Council an annual budget for the next financial year and a MTP for the succeeding four years, incorporating both capital and revenue expenditure, which is consistent with corporate and service strategies and the Financial Strategy. This budget will include the allocation of resources to individual services and capital projects.

2.4 In the Spring - Service Financial Plans

Following approval of the annual budget each Head of Service shall update their Service Plan(s) to incorporate a Service Financial Plan, which sets out variations in the level of fees and charges and how the resources allocated will be used to meet service objectives in the forthcoming year.

3. CONTROLLING FINANCIAL PLANS

3.1 Financial Monitoring

Heads of Service will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.

The financial performance of each service and capital project will be reviewed by Chief Officers quarterly on the basis of monitoring statements prepared by Heads of Service in conjunction with the Head of Financial Services.

The financial performance of the Council will be reviewed by Cabinet quarterly on the basis of monitoring statements prepared by the Head of Financial Services in conjunction with Heads of Service.

Heads of Service will ensure that relevant Executive Councillors are regularly informed of the progress in delivering approved MTP schemes.

3.2 Commitments to Expenditure in Future Years

No new commitment to expenditure beyond the current budget year may be made unless it;

- is consistent with the achievement of the Council's objectives and other relevant Strategies, **and**
- is compatible with the Council's MTP and Financial Strategy, **and, either**
- can be met from within currently approved and released resources. If it is to be funded from savings, these must be defined, permanent and not already earmarked for the achievement of the Council's savings targets, **or**
- is funded from a budget transfer in accordance with section 3.5 below.

If the Head of Service has any concerns about their proposal meeting these requirements they must consult the Head of Financial Services.

3.3 Grants, Cost Sharing and s106 agreements

Where a Head of Service proposes to take advantage of grants from other organisations, or some other form of cost sharing, whereby they will be able to deliver additional or improved services, consistent with their Service Plan, without creating any current or future commitment to additional net expenditure they may do so subject to:

- the funds being dependent upon a particular project or service being provided but, in the case of S106 agreements, the location or some other aspect is at the Council's discretion.
- informing the Head of Financial Services of the details
- consulting the relevant Executive Councillor(s) if the proposal exceeds £30,000 revenue or £50,000 capital in any one year.

A Head of Service may utilise sums of money received under S106, or equivalent, agreements where the nature and location of the item/service is specified. The Head of Financial Services should be informed of the details.

3.4 Approvals for additional spending with a net impact

Proposals for increases to the total allocated to a budget in the current year (Supplementary Estimates) and their impact in future years may be approved by the Cabinet subject to the revenue impact not exceeding £300,000 in aggregate in any financial year. The impact of such approvals will be included in appropriate financial reports within the budget/MTP process and, once Council have noted these items, the Cabinet's limit will be re-set. This

limit excludes any items funded from the contingency budget as described in the following paragraph. A transfer of a sum from capital to revenue will have a revenue impact and so will count as a request for additional spending.

The Director of Commerce and Technology may authorise the use of the contingency budget, subject to the item complying with the approved guidelines (see Annex A) and following consultation with the relevant executive councillor(s).

In all other cases the approval of the Council will be required.

3.5 **Approvals for additional spending with compensating savings**

Proposals that require initial funding but will then result in net surpluses or savings that are at least sufficient to produce a break-even position will be supported in principle if they are:

- consistent with increasing the achievement of the Council's objectives and compatible with relevant Strategies.
- achievable within the Council's Financial Strategy.
- supported by a robust business case which includes a risk assessment.
- supported by the Chief Officers' Management Team.

The Director of Commerce and Technology may approve such a scheme following consultation with the relevant Executive Councillor for the service and the Executive Councillor for finance. The relevant budget(s) and MTP will be appropriately adjusted.

3.6 **Budget Transfers**

The Council has five main types of budgets:

- **Service Revenue Budgets**
Service budgets relate to the provision of services directly to the public and are defined as the lowest level included in the report to Council when the budget is approved. They include depreciation relating to capital assets and recharges from Management Units and Overhead Budgets.

- **Capital Scheme Budgets**
These provide the funding to complete a defined capital project and are likely to include some recharges from Management Units and Overhead Budgets. When the project is completed a charge for depreciation is made to the appropriate Service Revenue Budget.
- **Management Unit Budgets**
Management Unit budgets collect together the costs of employees, and their ancillary costs that relate to supporting services, before they are recharged to service budgets or overhead budgets based on the degree of benefit that is being received.
- **Overhead Budgets**
Overhead budgets collect together a relevant portion of management unit costs together with other related costs before they are recharged based on the degree of benefit that is being received. Examples include the costs of office provision or of the Printing Service.
- **Technical Budgets**
These include items such as interest on investments and the reversal of depreciation charges and will not be available for transfer to other budgets except in meeting the specific purpose for which they were established.

Whilst most budgets will reflect a net cost, some will identify an expected surplus.

The transfer of resources within, or between, any of the types of budgets is supported in principle when it will make it more likely that the Council will achieve its service objectives and targets or enhance value for money. There do, however, need to be some limitations for effective financial management and to ensure that Executive Councillors, Cabinet and Council are aware of, and involved in, the more significant changes or where there is a financial implication.

The limitations fall into three categories. The first relates to Technical Budgets and recharges and Annex B details the budget transfers that will not be permitted in relation to them. The second relates to budgets for pay, national insurance and pension contributions and Annex C explains why and how budget transfers relating to these items are limited. Finally, the required involvement of Members is defined below.

The Council's management structure is based on Heads of Service or, in a few cases, Chief Officers taking responsibility for these budgets.

The **Manager responsible for a budget** may approve a budget transfer within and between the budgets they are responsible for providing it is:

- Consistent with increasing, or at least maintaining the achievement of service objectives and compatible with the Council's Financial and other relevant Strategies.
- Not to or from a Technical Budget or a recharge or from a pay, NI or pension contributions budget unless permitted by Annexes B or C.
- Not from capital to revenue
- Supported by their Chief Officer
- Notified to the Head of Financial Services
- Within the following limits if between budgets (there shall be no financial limits within a budget):

- Revenue to revenue £50k
- Revenue to capital £50k
- Capital to capital £50k

Similarly, a **Chief Officer** may, subject to the same criteria, approve budget transfers between any budgets that are their responsibility or the responsibility of their staff.

The **Chief Officers' Management Team** may, subject to the same criteria except for the enhanced limits shown below, approve budget transfers between any budgets:

- Revenue to revenue £100k
- Revenue to capital £100k
- Capital to capital £100k

Cabinet may approve budget transfers of up to:

- Revenue to revenue £250k
- Revenue to capital £250k
- Capital to capital £250k

Any previous transfers in the same financial year relating to those budgets shall be aggregated for determining whether the limit has been exceeded.

In all other cases the approval of the Council will be required.

3.7 **Re-phasing of Expenditure**

The re-phasing of expenditure, and consequent transfer of budget, between years may be made by the relevant Head of Service, following consultation with the Head of Financial Services, providing that it is consistent with service objectives and compatible with the Council's Financial and other relevant Strategies.

3.8 **Price Changes**

Allocation to individual Budgets of any provision for inflation or other purposes will be determined by the Head of Financial Services.

3.9 **Project Appraisals**

All proposals for changes to the MTP will require an explanatory appraisal, unless the Head of Financial Services considers that the item is of a technical nature. Appraisals for new and modified schemes must be made available to Members, via the Council's intranet, by the date on which the related reports are circulated.

4. CASH AND CREDIT MANAGEMENT

4.1 Banking

The Director of Commerce and Technology is responsible for all Council banking arrangements and shall maintain (an) account(s) with (an) appropriate bank(s) with a credit rating equivalent to 'Long Term AA' or better in the data published by Fitch IBCA. All transactions involving income or expenditure shall be dealt with through the Council's bank account(s).

4.2 Income

All employees receiving money (including cash, cheques, credit card payments etc.) must comply with the relevant procedures issued by the Head of Revenue Services to ensure that the sums are properly recorded, receipted and banked.

The Head of Revenue Services shall manage a debt collection service on behalf of the Council and all sums due must be registered by raising an invoice on the Council's Financial Management System or some other system or procedure approved by the Head of Revenue Services.

4.3 Loans

All borrowing will be undertaken by the Head of Financial Services in accordance with the Code of Practice for Treasury Management in Local Authorities and the Prudential Code for Capital Finance in Local Authorities, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Council's Treasury Management Policy and Annual Strategy Statement.

A report shall be submitted to the Cabinet prior to the start of each financial year so that it can recommend to the Council the maximum borrowing limits for the forthcoming financial year.

4.4 Investments

Investments shall be made by the Head of Financial Services in accordance with the Prudential Code for Capital Finance in Local Authorities, Government guidance on Local Government Investments, the Council's Treasury Management Policy and Annual Strategy Statement, either directly or by utilising external fund managers.

Periodic reports shall be submitted to the Cabinet on Treasury Management and by 31st July each year an annual report shall be submitted on activities in the previous financial year.

4.5 Payments

Payments due to external suppliers of goods and services must be made through the Council's financial management system and in accordance with the payments procedures of that system, as determined by the Head of Financial Services. Payments shall be made direct to the supplier's bank account wherever this is practical.

CORPORATE GOVERNANCE PANEL

28 MARCH 2007

**INTERNAL AUDIT SERVICE
TERMS OF REFERENCE & INTERNAL AUDIT STRATEGY
(Report by the Audit & Risk Manager)**

1. Introduction

- 1.1 The terms of reference and strategy documents for Internal Audit were last approved by the Panel in August 2004. Revisions to the Accounts & Audit Regulations 2003 together with the issue of revised proper practice for internal audit, the CIPFA Code of Practice for Internal Audit 2006 (Code), have prompted a review of both documents.
- 1.2 The Code requires that the terms of reference for the internal audit function should be formally approved by the Corporate Governance Panel.

2. Changes Proposed

- 2.1 The main changes made to the terms of reference and audit strategy are listed below for ease of reference.

Terms of reference

- The responsibilities placed upon the Audit & Risk Manager regarding the delivery of a risk management and insurance service have been clearly set out.
- Included for the first time is a statement that makes it clear that the Audit & Risk Manager shall have the opportunity to meet with the Chairman of the Panel and/or the relevant Portfolio Holder, if he feels it necessary.
- The timing of the annual audit report and opinion has been set out. The opinion is required to be presented to the Panel prior to it considering the Council's Annual Statement of Assurance on Corporate Governance.
- The statutory requirements for an annual review of the systems of internal audit has been included. Also included are details of how the review will be reported to the Panel.

Internal Audit Strategy

- The strategy now states that the annual audit plan shall be sufficiently wide ranging to allow an opinion on the internal control environment to be formed by the Audit & Risk Manager. The planning process will also place continuing reliance on risk registers and the assurance framework.
- The line management responsibilities of the Head of Financial Services have been included for the first time. Further information regarding this point is made at 3.2 below.
- Similar to the terms of reference, the requirement for an annual review of the internal audit service has been included.
- The managed audit approach instituted by the previous External Auditor has been replaced with an Internal Audit commitment to work closely with the current external auditor to make the best use of the audit

resources available e.g. the co-ordination of audit plans, sharing of audit reports, or joint working.

3. Compliance with the Code

- 3.1 It is a requirement of the Code that any element of non-compliance is highlighted and reported to the Panel, together with any safeguards or measures that have been introduced to mitigate this. There is one area in which this applies.
- 3.2 The code expects the Audit & Risk Manager to be directly line-managed by a member of the Corporate Management Team. In the Director of Commerce & Technology's opinion, it is an advantage to the Internal Audit service to have the benefit of the added level of management and expertise accorded by it reporting to the Head of Financial Services. To mitigate any disadvantage that this might create the independence of the Audit & Risk Manager is assured by him having the right of access to the Director of Commerce & Technology whenever he considers it appropriate. This is reflected in the Audit Strategy.

4. Recommendation

- 4.1 It is recommended that the Panel approve the terms of reference and internal audit strategy.

ACCESS TO INFORMATION ACT 1985

CIPFA Code of Audit Practice 2006

Accounts & Audit Regulations 2003

Contact Officer: David Harwood, Audit & Risk Manager 📞 **01480 388115**

**Internal Audit Service
Terms of Reference**

INTERNAL AUDIT SERVICE TERMS OF REFERENCE

Statutory Requirements

The Accounts & Audit Regulations 2003¹ require the Council to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices”.

“Proper practice” is contained in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code of Practice).

Director of Commerce & Technology

The Director of Commerce & Technology, under the Code of Financial Management², is the officer responsible for maintaining an internal audit service.

Effective reporting and managerial arrangements will be established between the Director and the Audit & Risk Manager.

The Director shall ensure that at least once a year, a review of the effectiveness of the Internal Audit Service, to include its compliance with the Code of Practice, shall be completed. The findings of the review shall be reported to the Corporate Governance Panel to coincide with the Panel's consideration of the Annual Statement of Assurance on Corporate Governance.

Definition and Role of Internal Audit

Internal Audit is an assurance service with the primary aim of providing an independent and objective opinion to the Council on the overall adequacy of the Council's control environment. It will objectively examine, evaluate and report on the effectiveness of the control environment to ensure the correct balance between propriety and cost effectiveness in achieving the Council's objectives.

The Code of Financial Management shall contain a statement explaining Internal Audit's responsibilities.

Responsibility for the management of services rests fully with Directors and their managers³. This includes ensuring value for money, minimising the risk of services not being delivered and reducing the opportunities for theft, fraud and corruption by ensuring that appropriate and adequate risk and control arrangements exist. Internal Audit compliments this by providing an expert and independent appraisal function to help managers determine the adequacy of their internal control, risk management and governance processes.

Internal Audit Responsibility

In order to fulfil its role the Internal Audit Service shall:

- Prepare a strategy document explaining how the service will be delivered which will include an explanation of the assessment of resources required.
- Undertake reviews that focus on the areas of greatest risk to the Council.
- Have the authority and right of access to all relevant records, assets, personnel and premises, including those of partner organisations, that it considers necessary to fulfil its responsibilities.
- Report to the Corporate Governance Panel on the matters referred to in the Code of Practice.

¹ Including the Accounts & Audit (Amendment)(Regulations) 2006

² Paragraph 1.9

³ Code of Financial Management: paragraph 1.11

- Provide clear reports that provide management with an opinion on the soundness, adequacy and application of internal controls.
- Enhance efficient and effective risk and control management by recommending cost effective controls which aim to improve service delivery whilst avoiding or minimising operational losses.
- Provide an annual opinion to the Chief Officers' Management Team, timed to coincide with the preparation of the Annual Statement of Assurance on Corporate Governance, on the soundness of the systems of internal control and the internal control environment.
- Provide advice and training on the management of risk and on issues surrounding the design, implementation and operation of systems of internal control.
- Contribute to the general management and conduct of business through provision of expertise on appropriate working groups and participation in ad-hoc exercises, including value for money, best value or consultancy studies.
- Have in place arrangements that ensure that it is notified of all suspected or detected instances of fraud, corruption or impropriety. Investigate and report upon all (non-benefit related) frauds and irregularities in accordance with documented procedures. (The Head of Revenue Services is responsible for investigating benefit related fraud).

Independence

The Audit & Risk Manager is responsible for the delivery of the Internal Audit, Insurance and Risk Management services. All three areas have a key part to play in mitigating the risks facing the Council. Responsibility for these operational areas is recognised by the Director of Commerce & Technology and the Corporate Governance Panel, together with the possibility that occasionally these responsibilities could, unless specifically addressed, compromise the operational independence of the Internal Audit Service.

Therefore, clear separation and divisions of duty will be established by the Audit & Risk Manager to ensure that the Internal Audit staff who have been involved in dealing with risk management operational matters do not undertake audit reviews within this area.

Apart from the areas of risk management and insurance, the Internal Audit Service shall not be responsible for the operation of any systems which could compromise its independence. It will however proactively offer advice and guidance on risk and internal control implications arising from planned or proposed changes to, or development of, systems or services.

The Audit & Risk Manager be responsible for the content of the annual audit plan and shall have direct access to, and freedom to report in his own name and without fear or favour to, all Officers and Members.

Audit Management

The Council shall appoint an Audit & Risk Manager who will be required to determine the priorities of, deliver, and manage the Internal Audit Service for the Council. In discharging these duties the Audit & Risk Manager will:

- Ensure that he has a comprehensive understanding of the Council's systems, structures and operations so allowing for, after consulting with senior management, the preparation of a strategic risk based audit plan
- Update the plan regularly to reflect changes in Council priorities and risk registers

- Translate the strategic plan into annual plans for formal agreement with the Director of Commerce & Technology
- Ensure that an audit brief is prepared for each individual audit assignment undertaken, setting out the scope and objectives of the work, timescales and reporting arrangements
- Ensure that all audit work is completed to high standards and in accordance with appropriate professional standards
- Maintain an internal audit manual that describes the standards, practices and procedures that are required to be met by internal audit staff and contractors
- Undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided
- Establish effective relationships with managers at all levels
- Proactively work with the External Auditor to ensure that audit resources are used in the most effective and efficient manner
- Monitor the effectiveness of the service delivered and compliance with professional and ethical standards.

Audit Reporting

At the completion of an audit assignment a written report will be agreed with the appropriate manager. The report shall contain an opinion on the adequacy of the risk management and internal control arrangements within the area of review and, where necessary, list the actions for improvements. If the manager and auditor cannot reach consensus then the appropriate Director(s) will resolve the issue.

Copies of all final audit reports shall be sent to the Director of Commerce & Technology and the External Auditor. Electronic copies will be made available to Members via the intranet.

The Audit & Risk Manager shall report to the Corporate Governance Panel any probity issues that arise, either directly from an audit or via an investigation into a fraud related matter, following the conclusion of his review.

Implementation of Agreed Audit Actions

The Audit & Risk Manager shall regularly review the progress made by managers in introducing the agreed actions and shall report quarterly to each Director on the actions taken. Each Director shall take appropriate action to ensure that agreed actions are implemented.

Corporate Governance Panel

The Audit & Risk Manager shall present an annual and interim report to the Panel that meets the requirements of the Code of the Practice. The annual report shall be timed to support the Council's Annual Statement of Assurance on Corporate Governance and include an opinion on the overall adequacy and effectiveness of the control environment.

The Audit & Risk Manager shall have the right to report to the Panel and attend all of its meetings.

The Audit & Risk Manager will have the right, if he feels it is necessary, to meet with the Chairman of the Corporate Governance Panel and/or the relevant Portfolio Holder to discuss any matters or concerns that have arisen from internal audit work.

Professional & Ethical Standards

The objectivity, impartiality, integrity and conduct of all Internal Audit staff must be above reproach at all times.

All Internal Audit staff shall comply with the ethical standards contained in the *Code of Practice* and those professional and ethical standards issued by the professional body to which they belong. They shall also comply with the Council's own codes and ethical standards.

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Internal Audit Strategy
2007 – 2010

Internal Audit Strategy 2007- 2010

Introduction

This document sets out the Council's Internal Audit Strategy for the period to March 2010. It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council and meet the requirements of its terms of reference in a way that will allow it to:

- provide an opinion on the internal control environment¹ to support the completion of the Annual Statement of Assurance on Corporate Governance which incorporates those internal control aspects required by the Accounts and Audit Regulations 2003²;
- prepare audit plans that give suitable priority to the Council's objectives and key risks and concentrate resources on areas that have been identified as being the most vulnerable;
- agree actions with managers at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks being faced;
- identify the audit resources required to deliver an audit service that meets required professional standards; and
- provide regular reports to the Corporate Governance Panel.

CIPFA Code of Audit Practice

The Audit & Risk Manager shall ensure that the standards contained within the CIPFA Code of Audit Practice shall be applied to the work of the Internal Audit Service. Any standards that cannot be complied with in full shall be discussed with the Director of Commerce and Technology, as the Council's "Chief Financial Officer", and agreement reached as to the alternatives to be accepted. Substantial differences shall be reported to the Corporate Governance Panel.

Corporate Governance Panel

The Council has established the Corporate Governance Panel. The Panel will undertake the functions of an "Audit Committee", as detailed in Standard 4 of the Code of Audit Practice by receiving information on or approving the:

- terms of reference for Internal Audit
- Internal Audit strategy
- resourcing of Internal Audit
- periodic plans of Internal Audit, progress in achieving them, significant matters that may jeopardise its delivery, any material changes made including implications arising from audit report findings and opinions.
- adequacy of management response to Internal Audit advice and recommendations
- Audit & Risk Manager's annual report
- arrangements for and the results of quality assurance and performance management processes
- arrangements made for co-operation between Internal Audit, External Audit and other review bodies.

¹ The control environment comprises risk management, control and governance processes. Further information is available in the [glossary](#).

² As amended by the Accounts & Audit (Amendment)(England) Regulations 2006

Audit Needs Assessments and Strategic Planning

All internal audit work undertaken shall follow the risk based systematic approach³. A schedule of risks and audit needs assessment (ANA)⁴ shall be prepared. It shall be based primarily upon the assurance framework adopted by the Council under the Code of Corporate Governance.

The ANA shall determine the relative importance of the risks identified, the frequency with which each risk should be audited, and the anticipated resources required to audit those risks.

Annually, in February, a four year strategic plan based upon the ANA shall be prepared. The strategic plan shall initially be determined without regard to any constraints (such as the staff resources available). The number of days allocated to audit areas in the strategic plan shall be the Audit & Risk Manager's best estimate based upon the risk priorities, the scope of the audit and previous audits carried out.

If after allocating resources to audits a shortfall of resources occurs over the four year strategic plan period, then the Audit & Risk Manager shall discuss the shortfall with the Director of Commerce & Technology. The Audit & Risk Manager will report annually, to the Corporate Governance Panel the consequences of the shortfall (reduced frequency of audit coverage, the increase in risk that this may bring, and the robustness of the Audit & Risk Manager's annual internal control opinion). The Panel shall recommend to Cabinet whether or not to accept the consequences identified or request an increase in Internal Audit's resources.

The Audit & Risk Manager shall consult service managers every six months to ensure that the ANA and strategic audit plan appropriately reflects the current operational, financial and business risks facing the Council and risks arising from national initiatives or developments.

The Audit & Risk Manager shall determine, after taking into account the level of resources available, the audit coverage over the four year period. This decision will have regard to the Council's responsibilities under the Accounts and Audit Regulations 2003, and the expectations placed upon Internal Audit by the external auditors and other outside organisations.

Risk Registers & Assurance Frameworks

The identification of key operational, financial and business risks facing the Council was completed in August 2006. The Audit & Risk Manager has responsibility for the development of the Council's risk management processes, including the risk registers, and as such is able to rely on them, together with his own assessments, for compiling the ANA.

The Council continues to implement its assurance framework in support of the Annual Statement of Assurance on Corporate Governance. The framework identifies and records the risks and barriers to successful service delivery and achievement of the Council's objectives. As the framework develops it will be used to supplement the ANA.

If at any time the Audit & Risk Manager believes that the risk register or assurance framework is not fit for purpose he shall undertake such additional work as he considers necessary to prepare the ANA.

³ See [glossary](#)

⁴ The audit needs assessment is an essential audit planning tool used to ensure there is a link between the level of risk associated with a particular area and the level of internal audit resources directed to that area.

Annual Audit Opinion

Each year the Audit & Risk Manager will provide his opinion on the effectiveness of the internal control environment to the Chief Officers' Management Team and the Corporate Governance Panel. It will be influenced by the individual opinions provided for each piece of audit work undertaken and the progress made by managers in implementing previously agreed actions.

The opinion shall be supported by sufficient, reliable and relevant evidence.

Annual Audit Plan

The strategic audit plan shall be used to prepare annual audit plans.

After consulting with the Chief Officers' Management Team, Directorate Management Teams and the Corporate Governance Panel the Audit & Risk Manager shall prepare/amend the annual audit plan as he feels necessary. Ownership of the annual plan rests with the Audit & Risk Manager although it shall be formally agreed by the Director of Commerce & Technology. The agreed plan shall be presented to the Corporate Governance Panel for information.

The Audit & Risk Manager's decision on which areas to include in an annual audit plan shall take into account the Council's requirement to provide an annual corporate governance statement that includes reference to the internal control environment. Audits may be included in the plan where the risks are able to be audited in respect of individual systems (e.g. Council Tax) or where the identified risks apply to systems and processes across the whole Council (e.g. the recruitment process). When deciding which areas are to be included in the annual plan consideration will also be given to the work that is being undertaken by other assurance providers and the opinions they are able to provide.

Within the control environment there may be certain high risk systems or processes which will need to be reviewed annually in order to allow an opinion to be reached.

Annual coverage will need to encompass a broad range of risks in order to give credibility to the comprehensiveness of the opinion.

The Annual Plan will consist of a brief description of the areas to be covered during each audit, the customer/Head of Service responsible for the audit area (including receiving and dealing with the report), and the number of days allocated for the audit assignment.

The annual audit plan shall be posted to the Intranet for the information of Members and senior managers.

Delivering the Internal Audit Opinion

A number of different audit techniques will be used to deliver the annual audit plan and consequently, the annual audit opinion. These are:

Risk based system audit reviews. The documentation, evaluation and testing of financial, operational and management information systems. These reviews, based on the standards laid down in the CIPFA Code of Practice and the Internal Audit Manual, provide much of the evidence to support the Internal Audit & Risk Manager's opinion on the adequacy and effectiveness of risk management and internal control.

ICT Audit. Specialist control evaluation of hardware, software and the ICT environment.

Fundamental financial systems tests. Reviews focusing on key controls that provide assurance to the external auditor on the completeness and adequacy of the Council's accounts.

In addition to these three main areas of work internal audit shall also provide control advice on new and developing systems and investigate potential cases of fraud and abuse.

Control advice on new and developing systems. This is a preventative activity designed to add value to the Council. Internal Audit expertise on control and best practice in systems is used to assist those responsible for developing systems and creating new systems.

Investigation of potential cases of fraud and abuse. Enquiries into cases of discovered or reported irregularity including, where required, liaison with the police and other investigatory bodies.

Audit Reporting

Internal Audit Reports

The Audit Manual shall contain the detailed reporting procedures that internal audit staff are required to follow.

All audit work completed shall be reported in writing to the appropriate Director and the Director of Commerce & Technology. Draft audit reports should be issued within 15 working days of the completion of the audit fieldwork. Final audit reports should be issued within five working days of confirmation of the agreed action plan.

Implementation of Agreed Audit Actions

It will be the responsibility of managers to ensure that all agreed actions arising from an audit report are implemented in accordance with the timetable they have agreed.

The Audit & Risk Manager shall maintain a record of all agreed actions relating to internal and external audit reports. He shall report quarterly to each Director on the progress achieved towards their implementation. Each Director shall take appropriate action to ensure that agreed actions are implemented.

The Audit & Risk Manager shall identify to the Director of Commerce & Technology as S151 Officer, any actions that have not been introduced that have a material affect on the control environment. The Director shall take appropriate action to ensure that the agreed actions are implemented.

Reports to the Corporate Governance Panel

The Audit & Risk Manager shall submit to the Corporate Governance Panel, no later than the date at which the Council's annual accounts are approved, his annual report and formal audit opinion. An interim progress report on the performance of the service and any emerging issues covered in the annual report shall be submitted six months later.

Annual reports should include the following information:

- The Audit & Risk Manager's opinion on the overall adequacy and effectiveness of the Council's internal control environment. This shall include any qualifications, together with the reasons for the qualification

and any issues that are particularly relevant to the preparation of the Corporate Governance statement;

- A summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- Performance for the reporting period (including a comparison of the work actually undertaken against the work planned and achievement of its performance measures);
- Details of any external quality assurance or review work undertaken on the Internal Audit Service and compliance with the CIPFA Code of Audit Practice.

Reporting to the Director of Commerce & Technology

The Audit & Risk Manager will meet on a monthly basis with the Head of Financial Services to discuss performance and other matters of significance who shall report this information to the Director of Commerce & Technology. The Audit & Risk Manager shall have the right to meet formally with the Director of Commerce & Technology if he feels it is appropriate to do so.

Qualifications & Training Requirements

Internal audit staff should be appropriately qualified. They should also have suitable audit experience. Appropriate professional qualifications for internal auditors are a CCAB professional accountancy qualification, the Practitioner or Member qualification of the Institute of Internal Auditors, or full membership of the Association of Accounting Technicians. The Audit & Risk Manager shall identify and arrange for appropriate professional training to be undertaken by internal audit staff.

The Council is committed to continuing professional and personal development. Training needs for internal audit staff will be identified and reviewed as part of the Council's appraisal process. Personal development plans will be prepared for all audit staff. Training needs will be identified via staff completing a training matrix that identifies the competencies required across both technical and professional and interpersonal/organisational areas e.g. communication, management, negotiation etc.

The Audit & Risk Manager will be responsible for prioritising the training needs of all the audit staff within the section, and ensuring that resources available for training are spent in the most appropriate way.

Reviewing the Effectiveness of the Service

In order to comply with the Accounts & Audit Regulations⁵, the CIPFA Code of Audit Practice and associated best practice the Director of Commerce & Technology shall ensure that an annual review of the Internal Audit service is undertaken.

The results of that review shall be considered by the Director of Commerce & Technology, who shall report the findings of the review to the Corporate Governance Panel and make appropriate recommendations for any necessary action. If this includes a service improvement plan the Panel will receive six monthly updates until all actions identified have been completed.

⁵ Accounts & Audit (Amendment)(England) Regulations 2006, Regulation 6 "The relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit".

Quality Assurance

The Audit & Risk Manager shall be responsible for introducing effective quality assurance standards and ensuring that Internal Audit work undertaken meets those standards.

A comprehensive Audit Manual shall be maintained that contains full and complete details of the working practices and procedures that have to be followed by all Internal Audit staff to ensure compliance with the CIPFA Code of Audit Practice. All audit work undertaken shall be reviewed at the following key stages by the Audit & Risk Manager:

- Preparation of the audit planning sheet
- Completion of system notes and identification of risks and controls
- Testing and the identification of the status of current risks and associated weaknesses
- Preparation of draft and final audit reports

Audit work will not continue until the Audit & Risk Manager has agreed that the work is appropriate and has met the standards defined in the Audit Manual.

Upon completion of an audit review, the Audit & Risk Manager and appropriate auditor will meet to discuss the audit and identify any issues of note regarding the conduct or delivery of the audit. Issues identified will be considered by the Audit & Risk Manager and actioned if appropriate.

The Audit & Risk Manager shall work proactively with the External Auditor to ensure that the audit resources available are used in the most effective and efficient manner (e.g. the co-ordination of audit plans, sharing of audit reports, joint working). Internal audit files will be maintained to such a standard that the External Auditor is able to place full reliance on their contents. It is expected that the annual audit letter will contain a statement that expresses the External Auditor's view as to how well the section is meeting professional standards.

The Audit & Risk Manager shall seek to ensure continuous improvement of the service by undertaking both qualitative and process benchmarking via the Cambridgeshire internal audit group and the national CIPFA benchmarking club, as resources allow.

David Harwood
Internal Audit & Risk Manager
February 2007

Control Environment

The control environment comprises the Council's policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the Council's objectives
- Identify, assess and manage the risks to achieving the Council's objectives
- Facilitate policy and decision making
- Ensure the economical, effective and efficient use of resources
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes. It encompasses elements of corporate governance and risk management.

Risk Based Systematic Approach

An audit that:

- Identifies and records objectives, risk and controls
- Establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- Evaluates the controls in principal to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose
- Identifies any instances of over and under control
- Determines an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing
- Arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment

CORPORATE GOVERNANCE PANEL

28 MARCH 2007

**INTERNAL AUDIT SERVICE
INTERNAL AUDIT PLAN 2007- 08
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 To consider the internal audit plan for 2007/08, attached at Annex A

2. STRATEGIC AND ANNUAL PLANNING

- 2.1 The Audit and Risk Manager is required to provide an opinion on the whole of the Council's internal control environment each year. This opinion also assists the Chief Executive and this Panel when they are preparing the Council's annual assurance statement. The work that is undertaken to allow this opinion to be formed is governed in the main by the annual audit plan.
- 2.2 The Internal Audit Service maintains a four year strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk and system area and the frequency with which it should be audited.
- 2.3 To prepare the annual audit plan, the strategic plan is reviewed and audits placed in priority order. The highest priority schemes which can be delivered within the resources available are then included. Audit days are assigned to each area in the plan and then compared to the available resources available. The total days required to complete the four year strategic plan exceed current audit resources.

3. RESOURCING THE AUDIT PLAN

- 3.1 The 4 year strategic plan shows a shortfall of resources of 125 days, or 31 days a year. This is not considered sufficient enough to justify a request for additional resources nor have an effect on internal audit coverage across the whole of the Council's control environment.

4. RECOMMENDATION

- 4.1 It is recommended that the Panel approve the annual audit and assurance plan.

ACCESS TO INFORMATION ACT 1985

Strategic Audit Plan
The Council's Risk Register

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**

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Huntingdonshire

district council

Internal Audit Service

Internal Audit
&
Assurance Plan
2007-08

2007- 08 Internal Audit & Assurance Plan

The 2007-08 Internal Audit & Assurance Plan has been prepared in accordance with best practice as contained in the 2006 CIPFA Code of Practice for Internal Audit.

The Code requires that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the Annual Statement of Assurance on Corporate Governance.

The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

The Code also explains for the first time, that sufficient, evidenced work must have been completed before an opinion can be given on the activity that has been reviewed. A number of reviews included in the audit plan have been taken directly from the Council's current risk register. The Panel need to be aware that the internal audit plan is unable to provide, apart from in those areas specifically reviewed, any assurance as to the effectiveness or otherwise of the controls listed in the register.

A summary of the audits planned for 2007-08 are listed on the following pages, together with the name of the Liaison Officer responsible for dealing with any audit report or other issue that arises from an audit review. In addition to undertaking the audits detailed in the plan, internal audit are also likely to be involved in providing advice and assistance to managers, new project developments, dealing with any whistleblowing allegations received and the national fraud initiative.

Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require audits to be substituted so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. Chief Officers and Heads of Service will be informed of any changes before they are introduced.

Directorate	Audit Days
<u>Corporate Systems</u>	128
<u>Financial Systems Reviews</u>	118
<u>Commerce & Technology</u>	55
<u>Central Services</u>	88
<u>ICT</u>	42
<u>Operational Services</u>	16
<u>Contracts</u>	34
Total	<hr/> 481 <hr/>

David Harwood
Audit & Risk Manager
9 March 2007

Corporate Systems

<p>Operations Centre – The Delivery of Services: R Preston To consider the manner by which services were redeployed to Eastfield House and the lessons to be learnt for the development of Pathfinder House.</p>	20
<p>Electronic Signatures: R Reeves As part of the introduction of the corporate post room, electronic signatories have been introduced as part of the business improvement process. This review will examine the controls introduced to securely manage electronic signatures, their overall use and exemptions granted.</p>	5
<p>Overview & Scrutiny: R Reeves The Local Government Act 2000 introduced the concept of elected member scrutiny as a key governance function. This audit will examine how the Panels have developed, the scrutiny review methodology followed and Officer support.</p>	10
<p>Partnership Working: I Leatherbarrow Partnership working was last reviewed in September 2003 and is a key element of the CPA Use of Resources. The actions agreed from the last review have been introduced via the partnership framework. This review will examine progress in reviewing the significant partnerships and the managing partnership risk.</p>	15
<p>Environmental Impact of Procurement: R Preston To review the environmental impacts of procurement decisions across key service areas to the management of 'green' activities. e.g. energy, vehicles, commercial waste disposal from Council premises. This area has not been reviewed previously.</p>	15
<p>Risk Management Arrangements: T Parker Risk management is an important part of the CPA KLOE and the governance of the Council. This review will consider how well risk management has become embedded into the Authority's business process, the robustness of the risk register and officer training.</p>	8
<p>Control of Assets: S Couper The Code of Financial Management requires each Head of Service to ensure that the assets relating to their services are properly safeguarded, managed and maintained, and used only to achieve the Council's objectives. This audit will examine, in view of the office moves, how well managers are complying with these requirements.</p>	5
<p>Overtime: P Duerden The Council's overtime budget for 2007/08 is £364k. This review will identify the controls manager's have introduced to pre-authorise and approve overtime, the use made of overtime on service delivery levels, compliance with the working time directive and consideration of alternative compensatory methods.</p>	12
<p>Corporate Plan: I Leatherbarrow This review will be undertaken in the 4th quarter of the year and will examine the progress that has been made to link the corporate plan to service plans and performance management reporting.</p>	10

	Audit Days
<p>Corporate Governance Arrangements: P Watkins This review will examine the robustness and completeness of Corporate Governance procedures against the CIPFA/SOLACE framework and the assurance framework that has been introduced.</p>	5
<p>Post Room: R Reeves Business process improvements are to be realised from the introduction of the corporate post room. This review will examine the systems introduced for the receipt and despatch of post and include the scanning and indexing of documents and handling of confidential post.</p>	15
<p>Call Centre: C Hall A review of IT controls within the Call Centre was undertaken in January 2006 and received an adequate level of assurance. This review will consider call handling, the process for introducing new services into the centre, management and performance information and achievements against the initial business plan proposal.</p>	8
Total Allocation	128
 Financial Systems	
<p>National Non Domestic Rates: J Barber To review on an annual basis a particular aspect of the NNDR system. This year's review will examine recovery and enforcement action.</p>	10
<p>Housing Benefits: J Barber To review on an annual basis the administration of the Housing Benefit systems. This year's areas will be agreed with the Head of Service prior to commencement. Areas considered to be key operational and financial controls identified within Housing Benefit & Council Tax Performance Standards appropriate to this area will also be considered.</p>	15
<p>Creditors: S Couper To review on a cyclical basis specific areas of the creditors system. This years review will examine corporate controls and areas identified from the fraud and corruption plan. Systems and processes introduced to manage the payment of creditors from the corporate post room will also be included in the review.</p>	15
<p>Council Tax: J Barber To review on a cyclical basis specific areas of the Council Tax system. This year's review will examine liability and billing. Areas identified in the fraud and corruption plan will also be reviewed.</p>	15
<p>Integrated Payroll & Personnel System: P Duerden This system is reviewed on an annual basis. The review will examine the procedures followed to manage 'payments' and will include BACS arrangements, payslips control, manual advances and recovery, reconciliation of accounts and dealings with HM Revenue & Customs. The controls associated with the self service system, PeopleLink, will also be considered.</p>	20

	Audit Days
<p>National Fraud Initiative: J Barber To examine the procedures followed by Housing Benefit Investigation Staff for identifying and reviewing potential 'fraudulent' benefit claims identified on national fraud initiative output. In addition work will also be undertaken to ensure compliance with the Housing Benefit & Council Tax Performance Standards in this area.</p>	8
<p>Construction Industry Scheme: S Couper The CIS changes in April 2007. This review will examine the introduction of those changes and compliance with the new scheme.</p>	6
<p>Concessionary Public Transport fares: S Ingram This review will examine the systems in place to ensure that the data provided by the County Council to support concessionary fares is correct. Discussions are underway with the County Council to undertake this review on a joint basis.</p>	6
<p>Central Establishment Recharges: S Couper This area was previously reviewed in 1999/00. The audit will examine the basis of 'indirect' overhead allocation, the introduction of the TRACK system, recharging methods used and the provision and use of management information.</p>	15
<p>External Fee Income: S Couper To review the systems in place for the calculation of professional fees charged to outside bodies. This area has not been reviewed previously.</p>	8
Total Allocation	118

Commerce & Technology

<p>Cash Income & Receipting: J Barber Cash Income and Receipting is a key financial system. This audit will review not only the controls operated within the system but also consider the introduction of the new post opening procedures, the transportation of cheques and cash, and the use of Pay-point (or similar system that is planned to be introduced). The areas contained in the fraud and corruption plan will also be considered.</p>	25
<p>Inspection of Invoices: S Couper The fraud and corruption plan identifies supplier invoice fraud as a high risk area. This one-off exercise, will identify and examine potentially fraudulent or unusual transaction patterns. It will also be a stringent examination of the controls within the creditor system.</p>	10
<p>Budgetary Control & Management Information: S Couper A review that will examine how budget holders and central accountancy obtain/provide budgetary information and reports and act upon the information provided. Guidance and training provided on financial management responsibilities from central accountancy will also be reviewed. Consideration will also be given to the link between MTP bids and budget spend. This area was last reviewed in January 2005 and received an adequate opinion.</p>	15

	Audit Days
Retention of Key IT Staff: C Hall	5
<p>This review will examine the extent to which the Council has become reliant upon a limited number of key IT specialists, and the controls in place to ensure that the IT services are able to be maintained if staff are absent over either the short and long term. This is a high inherent, medium residual risk within the risk register.</p>	
Total Allocation	<u>55</u>

Central Services

Sale and Disposal of land : C Meadowcroft	6
<p>To review the procedures for the sale of land. This will include an appraisal of the sale and disposal policy, the method of selling land and the signing of agreements, and the terrier record system.</p>	
Leisure Centres: R Reeves	35
<p>To continually review across the 5 Leisure Centres specific areas of their operation. This year's areas will be agreed with the Head of Service prior to commencement.</p>	
Staff Recruitment: P Duerden	15
<p>This review will examine the recruitment procedures that both Personnel and individual Directorates follow, to ensure that best employment practices are being followed (advertising, application evaluation, references, contract of employments etc). The induction training process will also be considered. This area was last reviewed in August 2003 and received limited assurance.</p>	
Legal Debt Recovery: C Meadowcroft	10
<p>To review the computerised legal case management system and the processes followed regarding debt recovery. This area was last reviewed in November 2003 and received limited assurance.</p>	
Registration of Electors: P Watkins	10
<p>The Register of Electors for Huntingdonshire contains 118,571 electors. This review will examine the process followed for compiling the register of electors, including the granting of postal votes and steps introduced to comply with the Electoral Administration Act 2006. In addition the audit will also review the systems controlling the payment of fees and associated changes for Elections administered during 2007. This area was last reviewed in September 1999 and received an adequate opinion.</p>	
Land Charges: R Reeves	12
<p>A review of the new IT and associated systems and procedures introduced for the administration and collection of Land Charge income. This area was last reviewed in October 2001 and was considered to have a high level of control.</p>	
Total Allocation	<u><u>88</u></u>

ICT Audit

Content Management - Sharepoint: C Hall 6

There is an increasing reliance on sharing data within the Council and the suitability and control over the solution and its content can have a significant impact on how effectively data is shared. This audit will look at the Sharepoint solution used within the Council for content management and will look at the management of the solution, how content is updated and authorised, compliance with legislation and monitoring.

Internet: C Hall 5

This audit will look at the Council's internet application concentrating on management, content, compliance with legislation, controls and security.

Business Continuity and Disaster Recovery

The risk register recognises business continuity and service recovery to be a 'very high' risk.

Business Continuity: R Reeves 4

The audit will look at the Council's business continuity arrangements. Business continuity is the foundation which will help the Council recover from a disaster by ensuring measures are in place to facilitate the controlled restoration of services based on importance of that service. Business continuity concentrates on the User end of the recovery process and should be linked closely with disaster recovery.

Disaster Recovery: C Hall 4

Disaster recovery is the process by which IT services are recovered, including networks, databases, applications, telecoms, etc. This is closely linked with business continuity as a good disaster recovery plan will be based on the requirements of the business. This review will look at the formation of the plan, escalation and emergency procedures and planned actions.

E-Payments: C Hall 8

E-Payments is the process by which payments can be taken over the internet, or via a web browser. The review will cover website maintenance, access control, account validation, system accounting, interfaces, security, audit trails and disaster recovery.

Project Management: C Hall 5

Project management is the discipline of organising and managing resources in such a way that these resources deliver all the work required to complete a project within defined scope, time, and cost constraints. This review will look at how ICT projects are managed within the Council.

Virus Protection/Spyware: C Hall 5

There are a large number of ways a computer virus can infect the Council's IT systems including downloads from the internet and e-mail attachments to a user bringing in an infected disk. The result of an infection could range from annoying glitches in the user's experience or data being sent to a remote computer to the complete shutdown and corruption of the entire network. Virus and Spyware controls are designed to protect the Council's systems from such threats and this Audit will review the controls in place to ensure they are sufficient and appropriately managed.

	Audit Days
IT Strategy	5
<p>The IT Strategy is an important mechanism in determining and defining ICT's long, medium and short term aims. In order to effectively support the Council and help them meet their targets the IT strategy should be aligned with the Council's strategy. This review will look at the IT Strategy to determine whether it is aligned with the Council's Objectives and ensure there are mechanisms in place to keep it current. The audit will also look at whether users' requirements have been considered, there are sound mechanisms in place to deliver the strategy and progress is monitored and reported on.</p>	
Total Allocation	<u>42</u>
Operational Services	
Housing Register & Nominations: S Plant	6
<p>To examine the systems and procedures for the management of homeless families. This area was last reviewed in February 2004 and given a limited level of assurance.</p>	
Management of Trees & Plants: R Ward	10
<p>The risk register considers the management of trees & plants to be a 'very high' risk due to both the increasing number of claims and insurance premiums. This audit will consider how those trees and plants that are the responsibility of the Council are managed; including the maintenance of the database established a number of years ago.</p>	
Total Allocation	<u>16</u>
Contract Audit	
Service/Supply Contract:	8
<p>The 2006 annual assurance statement identified compliance with the Code of Procurement as an area for improvement. This audit will examine individual service and supply contracts that have been entered into and will review the tendering process and procedures followed during the currency of the contract.</p>	
Selection and opening of tenders and quotations: R Reeves	18
<p>To ensure compliance with the Code of Procurement, this review will examine the procedures followed for the selection of contractors and suppliers to tender or quote, the opening of the bids received, subsequent awarding of the work and maintenance of the contracts register. This area is also contained in the fraud & corruption plan. A similar review was undertaken in February 2001 when this area was found to have a low level of control. A review of the quotation process was undertaken in September 2005 and a limited assurance opinion was given.</p>	
Post contract reporting and assessment: R Preston	8
<p>A review of the procedures followed at the end of contract works for the reporting and assessing both Contractor and Officer performance. This area was last reviewed in March 2003.</p>	
Total Allocation	<u>34</u>

Annual Audit and Inspection Letter

Date

Last saved: 20/03/2007 10:41:00

Annual Audit and Inspection Letter

Huntingdonshire District Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Document Control

Author Author
Filename Document1

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Contents

Our overall summary	4
Action needed by the Council	4
How is Huntingdonshire District Council performing?	5
The improvement since last year - our Direction of Travel report	6
Financial management and Value for Money	9
Conclusion	11
Availability of this letter	11

DRAFT

Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are:
 - The Council is improving in some priority areas with improvements in over half of its performance indicators. There is clarity about services requiring improvement and the Council is taking action.
 - Improvement to local areas is being achieved through effective partnership working. Access to services is improving. However performance on equalities is mixed. The Council is refining its plans, to help improve focus on improvement priorities. Capacity is being effectively developed to deliver this planned improvement.

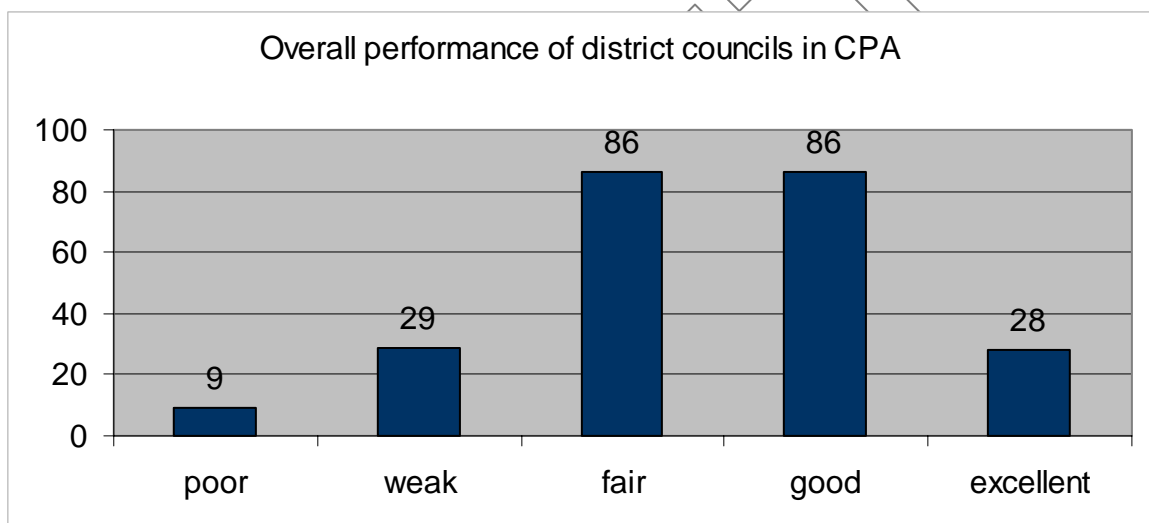
Action needed by the Council

- Further develop the approach to equalities
- Ensure that capacity is in place to enable sustained service improvement whilst managing major projects such as the redevelopment of the Council offices.

How is Huntingdonshire District Council performing?

- 4 Huntingdonshire District Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 5 Improvement has been made in some priority services. Based upon an Audit Commission basket of indicators, between 2004/05 and 2005/06 58 per cent of performance indicators improved, which matches the average rate of improvement for all district councils. Thirty-one per cent of national performance indicators are in the best performing 25 per cent of councils, with 59 per cent above the median. Improvements have been made in some priority areas that are important to residents. This includes recycling or composting of household waste which at 48 per cent is amongst the best nationally. The speed of processing planning applications is improving but remains below the median in two of the three indicators. However, performance is declining in some services such as the time to process change of circumstances for housing benefits claimants.
- 6 Satisfaction has improved in some areas. Based on the Council's second district-wide survey undertaken in March/April 2006, satisfaction has improved since the 2005 survey. For example 83 per cent of respondents are very/fairly satisfied that Huntingdonshire is a clean green and attractive place to live and 91 per cent very/fairly satisfied with Huntingdonshire as a place to live.
- 7 The Council is clear about services requiring improvement and is taking action. In response to high waste costs, refuse collection routes are being reviewed. The Council is investing in reducing homelessness. It is working with registered social landlords to improve access to homes for homeless families, keeping ten homes for homeless people and investing £1m in affordable housing. The Council has made good progress in improving weaker areas identified in Corporate Performance Assessment. The Council has continued to improve its communications, for example, with a new approach to the resident magazine, 'District Wide'.
- 8 The Council is contributing towards wider community outcomes. It is making improvements to local areas through effective partnership working. The Council has focused on neighbourhood based regeneration on the Oxmoor estate. This has resulted in the £9m Oak Tree Centre primary health care centre; funded by the Council and leased by the PCT. Various initiatives have also led to a reduction in crime including working with partners to introduce street wardens. The Council is also working with local people to plan development. The Ramsey Area Partnership is engaging the community to think about the Ramsey area, focusing particularly on facilities and services for the future. There is the potential to create a high-quality development incorporating homes, community facilities, recreational use and the opportunity for creating new jobs.

- 9 Access to services is improving. A call centre has been in operation since September 2005, as part of its Customer First programme. The centre answers general enquiries as well as specific questions regarding refuse collection, street cleaning, car parking, grass cutting and trees. More services are being added over the next 12 months. Access to services in rural areas is being improved. Residents can access services through its community information centres in Yaxley and Ramsey with 19 agencies running sessions on a regular basis. An outreach service started in September 2006 piloting in three villages within Ramsey and Yaxley catchments area.
- 10 The Council is working closely with young people to help ensure services reflect their needs. The three year Young People's Active Involvement 'project' was completed in March 2006. This included a range of initiatives such as a scheme to encourage young people and parish councils to work together on local issues. The project has been working in five parishes in the first year and has just recruited a further three for the second phase. This project is now managed by Young Lives with funding from national and local grants.
- 11 Performance on equalities is mixed. The Council has only achieved level one of the equality standard for local government. It is working on achieving level two by March 2007. The Council has also engaged with a large number of disability groups to produce its Disability Equalities Strategy.
- 12 The Council continues to perform well on delivering value for money. There is positive link between the cost of the Council's services and the quality provided to local residents. Although the costs for some front-line services such as waste and community housing remain relatively high, this is linked to programmed investment. Higher-cost areas also link clearly to the Council's stated priorities.

How much progress is being made to implement improvement plans to sustain future improvement?

- 13 The Council is further developing its plans for improvement. The corporate plan is being reviewed. Services have clear targets for improvement. All service plans have targets and use the scorecard approach. However there are a large number of local targets at local level (around 500). Key reports are monitored by Overview and Scrutiny and by Cabinet. This is providing greater clarity and focus on where the Council wants to improve.
- 14 Plans are in place to open a temporary customer service centre in Huntingdon in July 2007. This will coincide with the start of the redevelopment of the Council headquarters. The Council has recruited a customer service manager and has plans to open centres in St Ives and St Neots. Its focus has been on the redevelopment of its headquarters building, a £14m project, and the replacement of its depot, a £6m project. The Council is now moving on from developing new buildings to deliver improved access to services.

8 Annual Audit and Inspection Letter | How is Huntingdonshire District Council performing?

- 15 Capacity is being effectively developed and deployed to deliver priorities. A new leader and new management team has given energy and drive and added to capacity. The Council has appointed one of its heads of service to be a project manager to deliver the accommodation plans. A restructuring within Operations has broadened its agenda and focused on a more proactive approach. Services have been brought together to achieve efficiencies and to give better corporate direction. The Council has focused capacity on accommodation, the corporate plan and Customer First programme. A new Overview and Scrutiny panel has been introduced covering corporate and strategic issues, which is allowing the other two panels to focus on their work. Improved forward planning is improving focus and councillors have received training on performance management.
- 16 Financial capacity is being developed. Financial savings have been identified for the next two years, without any staffing cuts. For example savings are being made through business process re-engineering as part of Customer First programme.
- 17 There are no significant weaknesses in arrangements for securing continuous improvement or failures in corporate governance that would prevent improvement levels being sustained.

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Financial management and Value for Money

- 18** Your appointed auditor has reported separately to the Corporate Governance Panel on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
 - a conclusion on your VfM arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 19** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas:
- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial Standing (including the strength of the Council's financial position).
 - Internal Control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 20** For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1=lowest, 4=highest)

- 21** This level of performance equates to the Council performing consistently above minimum requirements (performing well) on the Audit Commission scale.

- 22 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows:
- The Council has improved its performance against the financial reporting KLOE, moving from adequate to good performance.
 - The Council should develop and implement an assurance framework and ensure that this is used to inform the Council's Statement on Internal Control.
 - The Council needs to implement monitoring and reporting against planned savings and efficiency plans.
 - The Council needs to complete and implement its partnership framework to ensure that it addresses risk assessments relating to its partnerships and that the financial performance of partnerships is subject to review.

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Conclusion

- 23 This letter has been discussed and agreed with Huntingdonshire District Council. A copy of the letter will be presented at the Corporate Governance Panel on 28 March 2007
- 24 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

- 25 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the council's website.

Nigel Smith
Relationship Manager

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