

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **MEETING ROOM 1, PATHFINDER HOUSE, ST MARYS STREET, HUNTINGDON** on **WEDNESDAY, 27TH SEPTEMBER 2006** on **THE RISING OF THE COUNCIL** 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 27th June 2006.

**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. COMPREHENSIVE PERFORMANCE ASSESSMENT: USE OF RESOURCES ASSESSMENT** (Pages 5 - 18)

To consider a report by the Head of Policy on progress with the achievement of the use of Resources Action Plan and recommending a procedure for the submission of a "value for money" self-assessment.

**I Leatherbarrow  
388005**

**4. INTERNAL AUDIT SERVICE ANNUAL REPORT** (Pages 19 - 26)

To receive a report by the Internal Audit Manager to which is attached the Internal Audit Annual Report.

**D Harwood  
388115**

**5. ANNUAL STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE** (Pages 27 - 32)

To consider a report by the Director of Central Services to which is attached the Annual Statement of Assurance.

**P Watkins  
388002**

**6. PUBLICATION OF THE 2005/06 ACCOUNTS** (Pages 33 - 66)

To consider a report by the Head of Financial Services setting out the processes to be completed before the Council's accounts for 2005/06 can be published. The revised account will follow.

**S Couper  
388103**

**7. INTERNAL AUDIT SERVICE INTERNAL AUDIT PLAN 2006-07**  
(Pages 67 - 74)

To consider a report by the Internal Audit Manager on the Internal Audit Plan 2006-07.

**D Harwood**  
**388115**

**8. RISK REGISTER** (Pages 75 - 86)

To receive and note a report by the Internal Audit Manager on the Risk Register.

**D Harwood**  
**388115**

**9. EXCLUSION OF THE PUBLIC**

To resolve:-

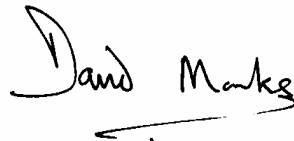
that the public be excluded from the meeting because the business to be transacted contains information which will enable the identity of an individual to be obtained.

**10. LOCAL GOVERNMENT OMBUDSMAN - SETTLEMENT OF COMPLAINT** (Pages 87 - 88)

To note action taken by the Director of Central Services in response to a complaint referred to the Council by the Local Government Ombudsman.

**R Reeves**  
**388003**

Dated this 19th day of September 2006



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 Committee/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](http://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.*

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# Agenda Item 1

## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in THE COUNCIL CHAMBER, PATHFINDER HOUSE, ST MARYS STREET, HUNTINGDON on Tuesday, 27th June 2006.

PRESENT: Councillor C J Stephens – Chairman.

Councillors K J Churchill, P J Downes, J A Gray, T V Rogers, L M Simpson and R J West.

### 5. MINUTES

The Minutes of the meeting of the Panel held on 17th May 2006 were approved as a correct record and signed by the Chairman.

### 6. MEMBERS' INTERESTS

Councillor P J Downes declared a personal interest in Minute No.8 by virtue of being a trustee of the Cambridgeshire County Council Pension Fund.

Councillor T V Rogers declared a personal interest in Minute No.8 by virtue of being the District Council's representative on the Cambridgeshire County Council Pension Fund.

### 7. EXTERNAL AUDIT REPORTS

*(In attendance for this Item were Mr J Golding of RSM Robson Rhodes LLP, the Council's external auditors and Mr M Smith, the Council's Relationship Manager from the Audit Commission.)*

The Panel considered a report by the Head of Financial Services to which were attached the Council's Use of Resources judgement 2005-06 and the Annual Audit and Inspection letter (copies of which are appended in the Minute Book). In introducing the Audit and Inspection Letter, Mr Smith informed Members that the Council had made good progress against some of its Improvement Plan priorities but that progress against others had been slower than originally envisaged. The letter also reflected a varied performance against Best Value Performance Indicators. Having referred to a positive direction of travel in respect of internal and external communication, performance management, risk management, learning and the Council's accommodation, Mr Smith concluded by referring to issues of capacity which had been raised in the Council's Comprehensive Performance Assessment and which would need to continue to be addressed.

In response to questions by Members on the Call Centre and on the allocation of resources, Mr Smith informed Members that as it had an excellent rating the Council was assessed on its direction of travel against its Improvement Plan.

With regard to the Use of Resources judgement, Mr Golding

emphasised that this would, in future, form a significant part of revised arrangements for the Comprehensive Performance Assessment.

The Panel discussed its role in approving the accounts. Particular significance was attached to Members' understanding of information presented to them and their preparedness to question the annual statement. Members then discussed the Council's aspirations regarding future assessments, following which it was concluded that a judgement would need to be made to balance the benefits which would follow from higher ratings of performance and the investment of resources which would be required to achieve them. In that context a further report was requested for the next meeting on progress against the Action Plan contained in the Use of Resources judgement. Having noted that changes would be made to the criteria of the Value for Money element of future Assessments, it was

#### RESOLVED

- (a) that the reports be received and noted;
- (b) that the actions to be taken on the Use of Resources be noted;
- (c) that a further report on value for money be presented to the Panel's September meeting; and
- (d) that a report be submitted to the September meeting on progress in delivering the Action Plan.

### **8. FINAL ACCOUNTS 2005/06**

The Panel considered the draft Statement of Accounts for the year ended 31st March 2006 (a copy of which is appended in the Minute Book). Their attention having been drawn to a number of corrections, Members were acquainted with issues arising from the accounts, which included the Council's investments, its debtors and creditors, the pension provision, the treatment of capital and the collection fund.

In response to a question by a Member, the Head of Financial Services outlined the sources of the Council's outcome, excluding the Leisure Centres. With regard to the latter, and in response to a further question, Members were informed that Centre accounts were treated separately. Members discussed the cost to the Council of the Leisure Centres, pricing policies and the possible benefits of reviewing the current arrangements.

Following a question on pensions, the Panel was informed of the procedure for determining the Council's employer contributions. Members discussed likely future trends in the levels of employer contributions.

The Panel then discussed the Council's policies on the treatment of liabilities and the effect of Best Value Performance Indicators on the payment of invoices.

Finally, in response to a question by a Member on the adoption of a policy to increase the proportion of costs that were recharged to

capital projects, the Head of Financial Services informed the Panel that this gave the Council flexibility and that the practice had been approved by the Auditors. Whereupon, it was

RESOLVED

that the draft Statement of Accounts for the year ended 31st March 2006 be approved to enable the Audit to commence.

**9. RISK MANAGEMENT STRATEGY**

With the aid of a report by the Head of Financial Services (a copy of which is appended in the Minute Book) the Panel gave consideration to a revised Risk Management Strategy. Having discussed the budget process and the Council's approach to the identification and recording of risk, it was

RESOLVED

that the revised Risk Management Strategy be approved.

**10. UPDATE ON RISK REGISTER AND AUDIT PLAN PROGRESS**

Having considered a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) containing an update on the development of the Risk Register and on the Audit Plan, and on the understanding that a further report on the Internal Audit Plan 2006/07 would be submitted to the next meeting, it was

RESOLVED

that the contents of the report be noted.

**11. CRIMINAL RECORDS BUREAU: CHECKS FOR ELECTED MEMBERS**

Consideration was given to a report by the Head of Administration (a copy of which is appended in the Minute Book) recommending the introduction of Criminal Record Bureau checks for Members. The requirement to undertake checks also would apply to independent Members of the Standards Committee and to all Members of the Leisure Centre Management Committees.

Having noted that checks carried out for Cambridgeshire County Council Members who were also Members of the District Council would be accepted, it was

RESOLVED

- (a) that enhanced Criminal Records Bureau checks be introduced with immediate effect; and
- (b) that the process as set out in Appendix A to the report now submitted for managing applications for Criminal Bureau Record checks be approved.

**12. PERSISTENT AND/OR VEXATIOUS COMPLAINTS POLICY**

Further to Minute No. 08/04 and having considered a report by the Director of Central Services (a copy of which is appended in the Minute Book) the Panel approved proposed amendments to the Council's Persistent Complaints Policy in the light of experience gained since its introduction some two years previously.

RESOLVED

that the Persistent and/or Vexatious Complaints Policy as appended to the report now submitted be approved for implementation with immediate effect.

**13. COMPLAINTS**

The Panel received and noted a report by the Director of Central Services (a copy of which is appended in the Minute Book) containing an analysis of the Council's internal complaints and a summary of complaints concerning the District Council which had been determined by the Local Government Ombudsman in 2005/06.

RESOLVED

that the report be received and noted.

**14. SPECIAL MEETING**

Members noted that a Special Meeting of the Panel would be held on 27th September 2006.

Chairman



## COMPREHENSIVE PERFORMANCE ASSESSMENT: USE OF RESOURCES ASSESSMENT

(Report by the Head of Policy)

### 1. INTRODUCTION

- 1.1 The purpose of this report is to provide the Panel with an opportunity to review progress in the achievement of the use of Resources Action Plan and approve the procedure for submission of a “value for money” self-assessment.

### 2. BACKGROUND INFORMATION

- 2.1 The Use of Resources judgement is designed by the Audit Commission to assess how well Councils manage and use their financial resources. The assessment focuses on the importance of having resources available to support the Council’s priorities and to improve services.

- 2.2 Specifically the assessment covers five themes -

- ◆ financial reporting;
- ◆ financial management;
- ◆ financial standing;
- ◆ internal control; and
- ◆ value for money

- 2.3 Each theme is scored by the Council's external Auditors – RSM Robson Rhodes – on a scale of 1-4, (1 equates to inadequate performance, 2 is adequate, 3 is good performance and 4 innovative practice).

- 2.4 Members will recall that for 2005/06. The Council achieved a judgement of **3** – good performance on the Audit Commission’s scoring system. The Council’s performance was above average for financial management, financial standing and value for money and around the average for both financial reporting and internal control. There were no areas where the Council failed to achieve level 2 performance. The assessment suggested a small number of areas where consideration could be given to strengthening the Council’s overall arrangements to build on its current good performance. These development areas were incorporated into an Action Plan (Appendix A) which was considered by the Panel earlier this year. The attached plan has been annotated using colour coding where –

- ◆ green means the action has been completed;
- ◆ amber means that it is on track to be completed;
- ◆ red means there is likely to be a delay.

2.5 An important element of the assessment process is a value-for-money self-assessment which has to be submitted by the end of September each year. As the Council scored highly in this section of the assessment last year it is required only identify any significant changes in performance against the “key lines” of enquiry and audit focus and provide supporting evidence.

2.6 Appendix B sets out a summary of the key changes will be used to update the Council’s existing self-assessment. Work will continue in preparing this assessment up to the end of the month to ensure that the information and evidence is as current and comprehensive as possible. As in the previous year, it is suggested that the Panel should authorise the Chief Executive, after consultation with the Chairman of the Panel, to submit the final version of the assessment document.

### **3. RECOMMENDATIONS**

3.1 The Panel is recommended to –

- (a) to note progress in the achievement of the use of resources action plan;
- (b) note the areas of change to be incorporated into the value for money self-assessment; and
- (c) authorise the Chief Executive, after consultation with the Chairman of the Panel, to approve and submit the value for money self-assessment.

### **BACKGROUND PAPERS**

Use of Resources Judgement 2005/06 issued by RSM Robson Rhodes  
Available from the Policy Division.

Key Lines of Enquiry published by Audit Commission – [www.audit-commission.gov](http://www.audit-commission.gov)

**Contact Officers:** Ian Leatherbarrow  
(01480) 388005

## APPENDIX A

KLOE 1.2: External Accountability

Key - Green = action completed, Yellow = on course, Red = will not be completed

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
3.7	The accounts should be subject to robust Member scrutiny/discussion either at the formal approval meeting or at another appropriate forum prior to approval	2	Robust discussion will be encouraged at the meeting of the Corporate Governance Panel which approves the accounts for audit.	Head of Financial Services	June 2006 <b>Completed</b>
3.10	A process of consultation should be carried out with a range of stakeholders to establish their requirements in respect of the publication of summary accounts or an annual report.  <i>Note this is potentially subject to changes following the Audit Commission's consultation exercise</i>	2	The requirement has now been amended to " <b>The council can demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report</b> ". The Huntingdonshire Strategic Partnership will therefore be consulted and the position reviewed in the light of their response.	Heads of Policy and Financial Services	October 2006
3.11	The publication of summary accounts that are intelligible and accessible to members of the public.  <i>Note this is potentially subject to changes following the Audit Commission's consultation exercise</i>	2	The requirement has now been amended to " <b>The council publishes summary financial information that meets the needs of a range of stakeholders</b> ". A brief summary of the 2005/06 accounts will be included in the September edition of Districtwide and on the Council's website. Views of stakeholders, in relation to future years, will be sought in October (see	Head of Financial Services	September 2006  On Course

					above).		
KLOE 2.1: Medium Term Financial Strategy							
4.8	Evidence showing that all joint plans with partners are taken into account in the medium term financial strategy. The creation of a partnership register would help evidence the fact that all agreed plans had been taken into account.	3	Development of a partnership framework is underway	Head of Policy 2007	Adoption – October 2006 Implementation – October 2006- March 2006		
Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale		
4.8	The medium term financial strategy should model balance sheets and cash flows over a minimum of three years.	3	The requirement has now been amended to <b>“The medium-term financial strategy models balances and resource requirements over a minimum of 3 years”</b> . This requirement is already met.				
4.8	Evidence showing that the Council monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of their corporate objectives.	3	This will form part of the enhancement of the Comprehensive Management Framework	Head of Policy and Financial Services	December 2006 May not achieve due to revised timetable in adopting corporate plan		
KLOE 2.2: Performance against budget							
4.14	Risk assessments should be produced to inform the budget monitoring process.	2	To some extent these exist but they have not been recorded or formalised.	Accountancy Manager	October 2006		

					This will be done.				
4.14	Action plans should be developed to support the reports on planned savings and efficiency gains.	2	A major exercise is currently underway to identify the savings required over the current and future years. This should result in the creation of action plans.	COMT	February 2007				
4.15	There should be a regular, evidenced review of significant partnerships. The review should be linked to outputs and the results shared with partners and acted upon (note: this is currently a non-compulsory requirement).	2	Development of Partnership Framework underway. Review will take place	Head of Policy	Adoption – October 2006 Review and Implementation – October 2006 – March 2007				
Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale				
4.15	Budget holder reports should be produced within the required ten days (note: this is currently a non-compulsory requirement).	2	Agreed	Accountancy Manager	10 August 2006				
KLOE 2.3: Asset Management									
4.18	A process of benchmarking should be put in place to evaluate how the asset base contributes to the achievement of corporate and service objectives. In addition, the results of performance management and benchmarking should be communicated regularly to stakeholders.	3	This is a level 4 item. The Council is not convinced of the cost-effectiveness of this approach, but will review these processes	Head of Legal and Estates	December 2006 Progress to follow				

4.18	An approach should be developed to enable the coordination of asset management information and its integration with relevant organisational financial information.	3	This is a level 4 item. This approach will be developed as part of the introduction of a new G&S/Assessment Management System which is underway	Head of Legal and Estates	March 2007 Progress to follow
Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
KLOE 3.1: Financial Standing					
5.7	Budget monitoring should include commentary on the current level of spend. Members should set targets for monitoring purposes.	3	Our basis of budgetary control is focussed on expected year-end variations so spend to date is not reported in summary reports to Cabinet though it is included in most reports to service managers. The main thrust of the item is about member targets, which are a level 4 item, and these will be considered in relation to the review and development of the Council's scorecard.	Head of Financial Services	October 2006
Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
5.7	Consideration should be given to determining and documenting the opportunity cost of the current policy on the required level of reserves. Consideration should also be given to the linked benefits of holding such reserves.	3	Requirement has been amended to: Level 3 <b>The council's policy for reserves and balances is based on a thorough understanding of its needs</b>	Head of Financial Services	February 2007

				<p><i>and risks, and is properly and clearly reported to members.</i></p> <p>Level 4</p> <p><i>Where target levels for reserves and balances are exceeded, the council has identified and reported to members the opportunity costs of maintaining these levels and compared this to the benefits it accrues.</i></p> <p>The financial position that the Council is in means that this subject is formally reviewed each year and the amended requirements should be achieved by minor changes to existing processes. The eventual level of minimum balances will also be considered in more detail this year and in future years.</p>			
Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale		
KLOE 4.1: Risk Management							
6.8	<b>The risk management process should be reviewed annually. This review needs to be evidenced.</b>	2	Agreed. Already completed for 2006. RM Group will review each May.	Risk Management Group			
6.8	<b>Risks in relation to partnerships should be specifically identified.</b>	2	This approach will be a key element of Partnership Framework	Head of Policy	March 2007		
6.8	<b>Members with specific responsibility for</b>	2	Risk Management awareness training	Audit and	October 2006		

	<b>risk management should receive detailed risk management awareness training.</b>			will be provided.	Risk Manager	
6.8	<b>Corporate business risks should be presented to the Corporate Governance Panel and quarterly risk reports should be produced.</b>	1		Reports will be made on a regular basis.	Audit and Risk Manager	September 2006
6.9	All staff should be given appropriate training and guidance to enable them to take responsibility for managing risk within their own working environment (note: this is currently a non-compulsory requirement).	2		Requirement has been amended to <b>"appropriate staff"</b> . Agreed	Audit and Risk Manager	March 2007
Ref	<b>Recommendation</b>	<b>Priority:</b>		<b>Management Response</b>	<b>Responsibility</b>	<b>Timescale</b>
<b>KLOE 4.2: Systems of Internal Control</b>						
6.13	Evidence that all reports presented to Members have been formally considered for legal issues, perhaps through a formal sign off being included on completed reports.	2		Enhancement of existing processes will be developed.	Heads of Legal and Estates, Administration and Policy	December 2006
6.14	An assurance framework should be put in place. The framework should provide information to support the SIC.	1		Investigation of methodology and assessment criteria will be undertaken and a decision taken on a process of assessment	Head of Administration	December 2006
6.14	Monitoring of compliance with standing orders, standing financial instructions and the scheme of delegation should be evidenced.	2		Enhancement of existing processes will be developed.	Heads of Legal and Estates, Administration and Policy	December 2006
6.15	An annual review of the authority's procedure notes	2		Requirement has been amended to	Audit and	March 2007



	should be completed and evidenced.					Risk Manager	
Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale		
<b>KLOE 4.3: Probity and Propriety</b>							
6.18	An assessment should be undertaken of the standards of conduct, including details on compliance with the code of conduct, complaints made and action taken.	2	Investigation of methodology and assessment criteria will be undertaken and a decision taken on a process of assessment	Head of Administration	December 2006		
6.18	Proactive fraud and corruption work should be undertaken. This should be determined by a formal risk assessment.	2	Risk assessment underway. Once completed the use and availability of resources will be considered. Any extra resource will be dependent on a corporate view of relative priority.	Audit and Risk Manager	September 2006		
6.19	It should be possible to evidence that fraud and corruption work is adequately resourced. Given the lack of staff available for proactive work, it seems difficult to demonstrate that there are adequate resources in place.	2	See 6.18 above				
<b>KLOE 5.1: Current Value for Money</b>							
7.8	<b>Continued analysis should be undertaken to evaluate and justify the reasons as to why the Council is relatively high spend when compared to others.</b>	3	This and most other Value for Money items to be reviewed in more detail given the more significant changes in	Head of Policy Head of	Report to September Panel.		

				Financial Services	
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this area.

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
7.8	<b>The Council should continue to monitor slippage and variances from budget in relation to the capital programme with a view to minimising them as far as possible. <i>This may be more relevant going forward in light of the pathfinder house decisions.</i></b>	3	The last review of the MTP was intended to ensure that capital spending targets were realistic. This and the current scheme of monitoring will continue. <b>No additional action required.</b>		
<b>KLOE 5.2: Management of and Improvement in Value for Money</b>					
7.11	There is scope to evidence more effective member challenge going forward.	3	This and most other Value for Money items to be reviewed in more detail given the more significant changes in this area.	Head of Policy Head of Financial Services	Report to September Panel.

**Use of Resources: Value for Money Self- Assessment  
Significant changes/updates.**

<b>Subject</b>	<b>Evidence</b>
Spending Review	Financial Strategy.
Realignment of Services	Efficiency gains and cost savings.
Meeting efficiency targets	Efficiency Statement.
Range and quality of services – <ul style="list-style-type: none"> <li>❖ Meeting statutory duties</li> <li>❖ Local needs</li> <li>❖ Comparison with similar councils – justifying higher levels of expenditure as necessary.</li> </ul>	Opinion survey and research data.  Cost comparison based on Audit Commission data.  BVPI's
Embedding value for money	Service Review and new methodology – work to date. Changes in corporate objectives – work to date. Operation of Comprehensive Performance Management Framework.
Procurement – <ul style="list-style-type: none"> <li>❖ Achievement of economic, environmental and social objectives.</li> <li>❖ Use of best procurement practices</li> <li>❖ Joint work with others</li> </ul>	Economic development Service – keeping it local campaign with business partners. Economic Development Action Plan Overview and Scrutiny Panel. Huntingdonshire Strategic Partnership.
External Funding – <ul style="list-style-type: none"> <li>❖ Achievements</li> <li>❖ Linking to strategic objectives</li> </ul>	Realignment of central support and associated support documents.  106 negotiation and monitoring  Creative Industries Centre Ramsey Skills Project
Member Involvement and challenge	Review of corporate objectives  PM training  Spending review, particularly role of Overview and Scrutiny panel.  Performance management reviews
Internal reviews	Service review of services contributing to safe and active communities priority.
Investment decisions	Results to show improvement in performance – <ul style="list-style-type: none"> <li>❖ Refuse and recycling</li> <li>❖ Call Centre</li> <li>❖ Procurement</li> <li>❖ Risk management</li> <li>❖ Performance Management.</li> </ul>



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**INTERNAL AUDIT SERVICE  
ANNUAL REPORT  
(Report by the Internal Audit Manager)**

**1. Purpose**

- 1.1 To receive the annual report of the internal audit service.

**2. Introduction**

- 2.1 This report provides an audit opinion for the 14 month period July 2005 to August 2006. It also details the details the work undertaken against the 2005/06 annual audit plan and the performance standards achieved.

**3. Audit Opinion**

- 3.1 Internal Audit's terms of reference require an opinion to be given on the overall adequacy and effectiveness of the Council's internal control environment.

- 3.2 The internal control environment comprises the Council's policies, procedures and operations in place that:

- establish and monitor the achievement of its objectives
- identify, assess and manage the risks to it achieving its 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 its 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

- 3.3 An opinion on the level of assurance is prepared at the conclusion of all audit reviews. Appendix A details the work undertaken during the reporting period and the opinions given. In addition to audit reviews, work is also undertaken on a sample of agreed actions introduced. The findings from this work also assist in the formation of the opinion. All audit reports can be accessed by Members via the Internal Audit intranet site.

- 3.4 The statement below is based upon individual audit report opinions and the action taken by managers to address the risks identified.

It is my opinion, based upon the audit work completed in the period 1 July 2005 to 31 August 2006, that Huntingdonshire District Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions.

In respect of those systems that refer to, or are substantially related to, internal financial control, it is my opinion that the controls operated by management are currently adequate.

Any system of internal control can only provide reasonable, rather than absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a reasonable period of time.

David Harwood  
Internal Audit Manager

September 2006

#### **4. Delivery of 2005/06 Audit Plan**

- 4.1 The internal audit plan for the 2005/06 financial year, approved by the Director of Commerce & Technology, contained 44 audit reviews. The audit plan is not a static document but needs to be amended to reflect changing circumstances. The changes in 2005/06 resulted in the five audits being added and three deleted giving a revised total of 46.
- 4.2 All but one of these audits has been closed. The outstanding audit, which has been issued in draft relates to data consistency.

#### **5. Internal Audit's Performance**

- 5.1 Information in respect of the performance of the internal audit service is attached at Appendix B.

#### **6. Service Improvements**

- 6.1 A revised version of the Code of Audit Practice for Internal Audit is likely to be issued in the next few months to address changes brought about by the Accounts & Audit (Amendment) Regulations 2006. Once issued, the audit strategy and terms of reference together with other working practices will be reviewed to ensure that they remain relevant and meet the requirements of the revised Code.
- 6.2 The 2006 Regulations also require for the first time that a formal annual review of the 'effectiveness of its system of internal audit' is conducted. A further report detailing the options available for this review and its timing will be submitted to a future meeting.
- 6.3 Internal Audit is continually striving to improve its performance. Developments planned over the next 12 months include:
- reviewing the audit reporting process;
  - further improving the link between the risk register and audit planning process;
  - reviewing how individual audit opinions will effect mitigating controls recorded in the risk register; and
  - reviewing the internal audit training & development scheme.

#### **7. Recommendation**

- 7.1 It is recommended that the Panel note the report and annual opinion statement.

#### **ACCESS TO INFORMATION ACT 1985**

Internal Audit Reports;  
Internal Audit Performance Management Information

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



## Summary of Internal Audit work undertaken during the period 1 July 2005 to 31 August 2006

The internal audit opinion for the period 1 July 2005 to 31 August 2006 is based on work undertaken across the following three areas:

- audit reviews completed in the 14 month period ended 31 August 2006;
- a review of those audits that contained significant weaknesses in previous years; and
- the action taken by managers to implement previously agreed actions.

### Audit Reporting and Management Action


The audit reporting process has the following five stages.


- 1 Audit completed & draft report prepared.
- 2 The draft report may contain suggested actions to mitigate risks. Actions are placed into a 'red' or 'amber' category.


*Red*                    *these are actions that must be implemented as the current exposure to risk is unacceptably high, indicating a major control weakness*

*Amber*                *these are actions that managers have agreed to introduce, as the current risk exposure is high. Controls weaknesses have been identified that have the potential to compromise internal control, operational effectiveness or service delivery.*

- 3 Assurance opinion reached based on action categories and the number of suggested actions proposed.

*Substantial Assurance*        *There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.*

*Adequate Assurance*            *There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.*

*Limited Assurance*                *There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.*

Little  
Assurance

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*There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.*

- 4 Final report prepared. Suggested actions changed to agreed actions. Some current risks may be accepted with the agreement of the relevant Director. Report issued.
- 5 Head of Service accepts report. Audit closed. Report issued to Director & S151 Officer.

The table below summarises the assurance opinions given to individual audits reported upon in the period July 2005 to August 2006 and the category of individual actions. Prior to the overall opinion being prepared reviews were completed to see the progress made in introducing agreed actions. This ensured that the opinion could be as relevant as possible and be based upon the current situation within each system.

Audit Area	Level of Assurance				Agreed Action Status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified accepted
<b>Key Financial Systems</b>							
Creditors	✓✓				---	---	
Loans & Investments	✓✓				---	---	
Housing Benefits	✓✓					1	
Cash Income & Receipting	✓✓					1	
Payroll & Personnel		✓			2	4	
NNDR		✓			1	1	
Council Tax		✓			1	4	
Debtors		✓				4	
<b>Other systems reviews</b>							
Asset Management Plan	✓✓				---	---	
Mortgages	✓✓				---	---	
Refuse & Kerbside Waste Collection	✓✓					4	
Homelessness	✓✓					3	
Car Leasing	✓✓					2	
Bank Reconciliation	✓✓					2	
Leisure Centres		✓			1	12	
Grants to Outside Bodies – Community Initiatives		✓			1	5	
Freedom of Information		✓				10	
Licensing		✓				8	
Disciplinary Process		✓				7	
Purchasing Cards		✓				6	
Printing		✓				6	
Strong & Diverse Economy		✓				6	
Delivery of MTP Developments		✓				6	
Diversity & Social Inclusion		✓				5	
Housing Meeting Local Needs		✓				5	
CCTV		✓				5	
Computer Training		✓				5	

Audit Area	Level of Assurance				Agreed Action Status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified accepted
Staff Appraisal		✓				5	
Employees – Travel & Subsistence		✓				5	1
Disposal of electronic & paper information		✓				4	
Appointment of Consultants		✓				3	
Contract - Variations		✓				3	
Good Reputation		✓				3	
Charging for Council Services		✓				1	
Appointment of Consultants – follow up review		✓			---	---	
Emergency Planning – Civil Contingency			✗		5	7	
Leisure Centres – Bars & Catering			✗		4	7	
Markets			✗		2	5	
Internet Monitoring			✗		1	4	
Performance Indicators			✗		1	1	
Computer Post Implementation Review			✗		1	1	
Balanced Scorecard & Performance Management			✗			8	
Contracts – Use of the Quotation Process			✗			3	
<b>Computer Audit</b>							
E-mail Review		✓			1	3	
Software Licensing		✓				7	
BACS Review		✓				6	
Customer First Application		✓			1	1	
Business Continuity & Disaster Recovery			✗		1	7	
Revenue & Benefits Application Review			✗			5	1

### Issuing outstanding from previous years reports

Audits that have previously affected the overall opinion are listed below together with a summary of the progress made towards implementing the agreed actions.

Document Retention & Records Management	This audit, which was closed in February 2004, was given a 'no assurance' opinion. The actions in the report all had an agreed implementation date of March 2005. Whilst all the actions have not yet been fully introduced sufficient progress has been made so that the 'no assurance' opinion will at least rise to "limited" when fully reviewed.
Approved List Maintenance	This audit, which was closed in December 2004, was given a 'no assurance' opinion. Seven actions were agreed, of which 5 have been fully introduced. This is sufficient, without further work being completed, to raise the opinion to limited assurance.
Leisure Centre – Management of the Condition Survey	This audit, which was closed in April 2005, was concerned with the management of consultants appointed to undertake condition survey work at the Leisure Centres. Two pieces of work have since been undertaken into the use of consultants, both of which are reported in the table above and resulted in adequate opinions being given.
Network Review	This audit, which was closed in November 2004, was given a 'no assurance' opinion. Seven actions were agreed and all have been fully introduced. This will at least raise the opinion to "limited" when it is fully reviewed.

## Internal Audit Performance

### 1. Introduction

1.1 Internal audit have prepared a set of performance measures that link into the Council's corporate performance management system. The measures which relate to the service's performance are listed below:

- External audit view of internal audit
- % of customers rating service quality as good or better.
- % of agreed actions implemented on time
- % of service delivery targets achieved.

### 2. External audit view of internal audit

Target: Adequate or better  
Achieved: Satisfied

2.1 The external auditor's annual audit and inspection letter of April 2006 contained the following remarks;

“The Audit Commission continued to be satisfied that the quality of the work done by Internal Audit meets the standards set by the CIPFA Code of Practice and obtained assurance from its work whenever possible to complement and limit their own coverage. In particular, the external audit relied on Internal Audit's documentation and review of key controls of the main financial systems. Their work in this area has increased significantly in the current year due to the need to comply with new international auditing standards.”

2.2 The external auditor's Audit of Accounts 2005/06 report to those charged with governance contains the following remarks;

“We aim to place reliance on the work of internal audit in accordance with the ‘managed’ audit approach. In 2005/06 we have been able to place reliance on the work of internal audit in respect of the key accounting systems.”

### 3. Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.

Achieved: 12 months to August 2006 - 87%

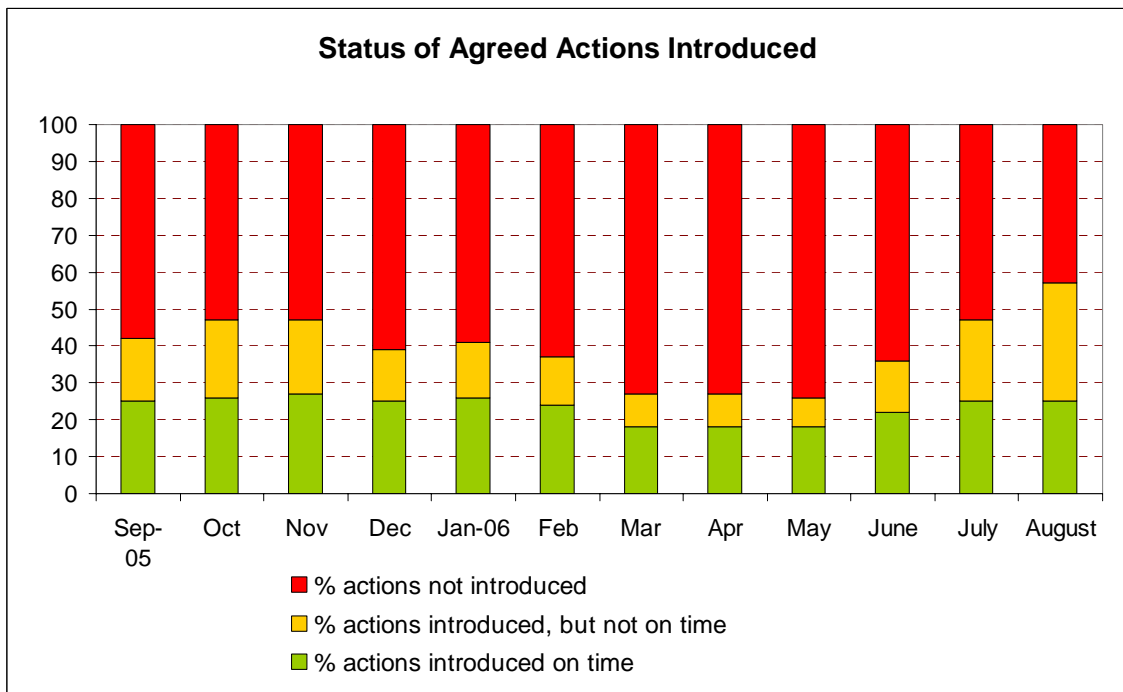
3.1 At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – excellent, very good, good, fair and poor. Target information is calculated on a rolling twelve month basis rather than by financial year. The figure is based on 31 returns.

3.2 The Head of Financial Services annual customer satisfaction survey conducted with senior managers has also shown an increase for the third year running in the percentage who consider the internal audit service to be good or better

- April 2004 81%
- April 2005 90%
- April 2006 96%

#### 4. Introduction of Agreed Actions

- 4.1 The balanced scorecard has a target that 60% or more of agreed actions should be implemented on time. For the 12 month period ending August 2006 25% of agreed actions have been implemented on time.
- 4.2 An on-line database has been established which holds details of all agreed actions. Managers responsible for introducing the actions are required to update the database with the action they have taken and the date that the action was introduced. Each Director, Head of Service and Activity Manager is able to access the database and obtain real-time reports that list by date or status, the actions that they have agreed to introduce.
- 4.3 Performance figures for this area were last reported to Panel in December 2005 in respect of the 12 month period ending October 2005. At that time, the target achieved was 26% of actions implemented on time. Panel asked that Directors and Heads of Service be reminded of the importance of introducing actions within agreed timescales.
- 4.4 Whilst performance on the scorecard target has not greatly improved there has been a marked increase in the overall percentage of actions that have been introduced. 57% of all actions that were due to be introduced in the 12 month period ending August 2006 having being done so. COMT are aware of the importance of ensuring that agreed actions are introduced on time and have asked for regular reports on performance.



- 4.5 A sample of actions that have been reported as being completed are checked to see that the action introduced sufficiently addresses the risk that has been identified. In respect of those actions introduced up to 31 May 2006, these checks have shown that the actions taken were appropriate and addressed the risks identified in the audit report.

4.6 It is recognised that there will be occasions where service issues arise after the dates for introducing actions have been agreed, that quite properly take priority over the introduction of the action.

## 5. Service delivery targets

Target: 80% or more of service delivery targets achieved.

Achieved: 12 months to August 2006 – 91%

5.1 There are four elements to this target which all relate to the progress of individual audits and the reporting process:

- Complete audit fieldwork by the date stated on the audit brief
- Issue draft audit reports within 15 working days of completing fieldwork
- Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report
- Issue final audit report within 5 working days of receiving full response

5.2 Performance indicators are prepared monthly in respect of each target and circulated to internal audit staff. The targets are also reflected in staffs key performance development targets within the annual appraisal process. Achievement of the targets requires internal audit staff to develop and maintain good working partnerships and the customer's co-operation throughout the period of the audit.

5.3 This information was last presented to the Panel in June 2005 and the table below shows the targets and the change in performance between that date and August 2006.

	Performance as at:		
	<u>Target</u>	<u>30 June 2005</u>	<u>31 August 2006</u>
Complete audit fieldwork by the date stated on the audit brief	75%	39%	83% ↑
Issue draft audit reports within 15 working days of completing fieldwork	90%	90%	93% ↑
Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report	75%	55%	95% ↑
Issue final audit report within 5 working days of receiving full response	90%	91%	95% ↑
Overall	82%	68%	91% ↑

## **ANNUAL STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE**

**(Report by the Director of Central Services and Monitoring Officer)**

### **1. PURPOSE**

- 1.1 The purpose of this report is to seek the approval of the Panel to a Statement of Assurance in relation to arrangements for and the exercise of the Council's corporate governance arrangements and its completion by authorised signatories.

### **2. BACKGROUND**

- 2.1 The Statement of Assurance was introduced in 2003/04 following on from the adoption by the Council of its Code of Corporate Governance. The Statement is regarded as an essential element in assuring proper corporate governance practices by local authorities in the conduct of their business, in safeguarding the use of their resources and in engendering confidence in their accountability and integrity on the part of the electorate and other stakeholders.

### **3. CONCLUSIONS**

- 3.1 The Statement of Assurance for 2005/06 reviews the Council's corporate governance arrangements and their exercise during the course of the year. It details specific issues which were addressed and identifies others for consideration in 2006/07.
- 3.2 As in August 2005, it is envisaged that the Statement will be signed by the Chairman of the Panel and the Chief Executive on behalf of the Council.

### **4. RECOMMENDATIONS**

- 4.1 The Panel is recommended to —
- ◆ approve the Statement of Assurance on Corporate Governance for 2005/06; and
  - ◆ authorise the Chairman of the Panel, the Chief Executive and the Director of Commerce & Technology to sign the Statement on behalf of the Council.

## **BACKGROUND INFORMATION**

The Council's Code of Corporate Governance.

The Annual Statement of Assurance on Corporate Governance, September 2005.

CIPFA Finance Advisory Network: Statement on Internal Control: A Rough Guide for Practitioners.

**Contact Officer:** Peter Watkins  
Director of Central Services and Monitoring Officer  
☎ (01480) 388002



## HUNTINGDONSHIRE DISTRICT COUNCIL

### ANNUAL STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE

Huntingdonshire District Council is responsible for ensuring that -

- ◆ its business is conducted in accordance with the law and proper standards; and
- ◆ that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this accountability, elected Members and senior managers are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at its disposal. To that end, the Council has approved and adopted a Code of Corporate Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE") guidance in this field. The Code is published on the Council's website at [www.huntsdc.gov.uk](http://www.huntsdc.gov.uk) and hard copies are available on request from the Director of Central Services.

The Code of Corporate Governance was first adopted in September 2003. The Code sets out and describes the way in which the Council carries out its functions and complies with the principles of openness, integrity and accountability. The principles apply to elected Members and employees alike, and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence. The Code was reviewed in September 2004 and September 2005 and will be reviewed again in the light of changes to arrangements for the preparation of a Statement on Internal Control and consultation initiated by CIPFA and SOLACE on a framework for Good Governance in Local Government.

Since adopting the Code, the Council has put in place management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. In so doing it has addressed the following five key dimensions of its business -

- ◆ community focus;
- ◆ service delivery;
- ◆ structures and processes;
- ◆ risk management and internal control; and
- ◆ standards of conduct.

The Council's corporate governance arrangements for each of the five aforementioned dimensions are published on its website. Hard copies are available from the Director of Central Services.

Central to the corporate governance environment is a system of internal control designed to manage risk to a reasonable level rather than to eliminate all risk of failure in achieving policies, aims or objectives. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact

should they occur, and to manage them proportionately and effectively. The Council's responsible finance officer, the Director of Commerce & Technology is of the opinion that the systems of internal financial control are adequate and that no significant weaknesses were identified during 2005/06 or since the balance sheet date.

The Council's Director of Central Services & Monitoring Officer has been given responsibility for -

- overseeing the implementation and monitoring the operation of the Code;
- reviewing the operation of the Code in practice; and
- reporting annually to the Corporate Governance Panel on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice

The effectiveness of the system of internal control is informed by -

- the Internal Audit Manager's annual opinion on the internal control environment;
- the Council's performance management framework which currently is being revised and refreshed in conjunction with a review of the corporate plan "Growing Success";
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by Cabinet;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes; and
- the 2005/06 audit and inspection letter from the Audit Commission.

Internal audit is undertaken in accordance with the CIPFA Code of Audit Practice. The Director of Commerce & Technology is accountable for the Council's internal audit arrangements. A risk-based strategic plan detailing the risks and activities of the Council is prepared, from which the annual audit plan is drawn. Written reports are prepared for all audits: these include an opinion on the degree of risk perceived and the assurance that can be obtained from the system.

In its last Audit & Inspection Letter the Council's external auditor expressed satisfaction with the quality of work undertaken by the Council's internal audit staff and referred to the assurance obtained from common areas of work wherever this was possible. The Letter, available on the Council's website and from the Director of Central Services, confirmed that the Council had made progress on its improvement plan priorities since the award of its "Excellent" rating in its Comprehensive Performance Assessment. Progress was described as significant in some areas, but in others slower than had been planned originally, reflecting the challenge of capacity for the Council.

The auditor's opinion also fed into the Audit Commission's scored judgement for the purposes of the Council's Use of Resources Assessment designed to assess how well local authorities manage and use their financial resources. The Assessment focuses on the importance of having available sound and strategic financial management to ensure that resources are available to support the Council's priorities and to improve services.

The Use of Resources Assessment covers five themes, each of which were scored on a 1 – 4 basis, 1 representing inadequate performance, 2 adequate performance, 3 good performance and 4 innovative practice. The Council's scores for each of the five themes are reproduced in the following table:-

<b>Theme</b>	<b>Score</b>
Financial reporting	2
Financial management	3
Financial standing	3
Internal control	2
Value for money	3

Overall, the Council's score of 3 placed it in the top 37% of District Councils. Nevertheless, the Council does not wish to appear complacent and the Action Plan developed as part of the exercise will be used to inform decisions either to consolidate or to seek improvements in performance.

To support this approach, the Action Plan, together with any further development areas identified by other external organisations or by the Council, is incorporated into the Council's overall Improvement Plan. Progress on the achievement of this Plan is monitored by both the Overview and Scrutiny Panels and by the Cabinet.

In last year's Statement the Council identified its perceptions of the need to -

- review progress on the action plan devised to address the areas for development as identified in the Council's Comprehensive Performance Assessment;
- monitor the implementation and development of the performance management framework;
- build on the work undertaken thus far on risk management and to encourage its acceptance and value as part of the culture embracing the Council's governance arrangements;
- commission training for staff on the new Code of Procurement introduced in conjunction with the review of the Constitution; and
- commission further training for Members of the Corporate Governance Panel on their roles and responsibilities.

The extent to which the foregoing issues have been addressed in the past year is evidenced by reports to the Corporate Governance Panel and the training provided for staff and Members.

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of its continuing efforts to improve governance arrangements the Council proposes to -

- monitor progress on the Action Plan annexed to the Use of Resources Assessment;
- review its Code of Corporate Governance in the light of the outcomes of the framework to be promulgated by CIPFA/SOLACE;
- assess the continued effectiveness of the comprehensive performance management framework following revisions in conjunction with the review of its Corporate Plan "Growing Success";

- assess the effectiveness of arrangements to monitor capital and revenue spending against the budget; and
- continue to provide advice and training and to develop systems to ensure that arrangements for the procurement of contracts comply with its approved Code.

Signed: .....  
Councillor C J Stephens  
Chairman of the District Council's Corporate Governance Panel

Signed: .....  
David Monks, Chief Executive

Signed: .....  
Terry Parker, Director of Commerce & Technology

**Pathfinder House  
St Mary's Street  
HUNTINGDON  
Cambs PE29 3TN**

**September, 2006**

## CORPORATE GOVERNANCE PANEL

AGENDA ITEM NO.  
27 SEPTEMBER 2006

### **PUBLICATION OF THE 2005/06 ACCOUNTS (Report by the Head of Financial Services)**

#### **1. PURPOSE**

- 1.1 To complete the processes for publishing the Council's accounts for 2005/06.

#### **2. BACKGROUND**

- 2.1 At its June meeting the Panel approved the draft accounts for audit. The remaining steps to the process are:

- Approving the Corporate Governance Statement (previous item on your agenda)
- Approving the Council's letter of Representation
- Receiving the Auditor's report
- Approving the revised accounts

#### **3. APPROVING THE COUNCIL'S LETTER OF REPRESENTATION**

- 3.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate. It is Best Practice for the Panel to approve the content of this letter which is attached at Annex A.

#### **4. RECEIVING THE AUDITOR'S REPORT**

- 4.1 Attached at Annex B is the External Auditor's report which, for the first time this year, is in a new format and somewhat longer than in the past. This will be presented to the meeting by one of the auditors from Robson Rhodes who will also update the report for the work they have completed since it was prepared.
- 4.2 Subject to the results of that work they expect to give an unqualified audit opinion.

- 4.3 Typically there will be some items identified by the auditors each year but there are likely to be a few more in the first year following a change of auditors (we have previously always had District Audit) when everything will be reviewed using the new auditor's processes. They may also have different views on the categorisation of certain items (e.g. capitalised investments). None of the items they have found have an actual impact on the Council's financial position. Appendix C to the report includes your officer's proposed actions to deal with these items.

## **5. APPROVING THE REVISED ACCOUNTS**

- 5.1 A revised set of accounts which reflect the changes referred to in the auditor's report is attached at Annex C. It is best practice for the Panel to approve this revised set for publication.

## **6. RECOMMENDATIONS**

- 6.1 It is recommended that the Panel:
- Approve the letter of representation at Annex A and authorise the Director of Commerce and Technology to sign it on behalf of the Council.
  - Receive the Auditor's report and note the action plan in its Appendix C for dealing with the matters highlighted.
  - Approve the revised accounts at Annex C for publication.

### **ACCESS TO INFORMATION ACT 1985**

Final Accounts and Working Papers held in the Accountancy Section

**Contact Officer:** Steve Couper, Head of Financial Services ☎ 01480 388103

RSM Robson Rhodes LLP  
Daedalus House  
Station Road  
Cambridge  
CB1 2RE

27 September 2006

Dear Sirs

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006**

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of Huntingdonshire District Council ("the Council"), the following representations given to you in connection with your audit of the Council financial statements for the year ended 31 March 2006.

**General**

We acknowledge our responsibility for preparing financial statements which present fairly the financial position of the Council and for making accurate representations to you.

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all member meetings, have been made available to you.

**Going concern**

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that as at 27 September 2006 no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

**Accounting estimates**

We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with UK GAAP, we selected the estimation technique considered to be the most appropriate to the Council's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

- a) to reduce debtors to their estimated collectable amounts;
- b) to reduce obsolete, damaged or excess stocks to their estimated net realisable value;
- c) for any impairment losses identified in relation to tangible fixed assets;
- d) for uninsured or unfunded losses attributable to events occurring by 31 March 2006.

### **Directors and other related party disclosures**

We confirm that

- a) registers of interests are up to date in respect of members and key officers
- b) guidance has been issued to make members and key officers aware of the requirement to declare all interests relevant to the Council, including interests of families, partners and entities controlled by them
- c) there are no other relationships of which we are aware that require disclosure in the statement of accounts.

### **Income Recognition**

We confirm that income is accounted for by applying the accruals convention so that income is recognised in the period in which services are provided. Where income has been received for a specific activity to be delivered in the following financial year, that income is deferred.

### **Fraud and error**

We acknowledge our responsibility for the implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error. In that regard we confirm that we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds known to us that may have affected the company and any events during the period of which we are aware that involved dishonest or fraudulent conduct or which resulted from a material weakness or breakdown in the accounting records and related internal controls. There have been no frauds or other irregularities involving management or employees who have significant roles in the accounting and control systems and no irregularities involving other employees that could have a material effect on the financial statements.

We have also disclosed to you our knowledge of any allegations of fraud or suspected fraud affecting the financial statements communicated by employees or others.



## **Law and regulations**

We are not aware of any events that involve possible or actual non-compliance with those laws and regulations, which are central to the Council's ability to conduct its business. Neither are we aware of other events that involve possible or actual non-compliance with laws or regulations whose consequences may have a potentially material effect on the financial statements and which therefore should be considered for disclosure or as a basis for recording a loss or provision.

## **Commitments and Contingent Liabilities**

All claims against the Council of which we are aware have been accounted for through provisions or disclosed under contingent liabilities where appropriate. The Council has complied with all aspects of contractual agreements that could have a material effect on the accounts in the event of non-compliance.

Except as disclosed in the financial statements:

- a) there are no charges or other encumbrances on the Council's assets
- b) there are no significant financing agreements in respect of provision of assets or services

## **Post balance sheet events**

Other than as disclosed in the accounts there have been no events since the balance sheet date, which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. In particular, we have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. In that regard:

- provision has been made to reflect any impairments in asset values
- the Council has no significant amounts of idle property and equipment.

## **Approval**

The approval of this letter of representation was minuted by the Corporate Governance Panel at its meeting on 27 September 2006.

Signed on behalf of the Council

**Terry Parker**  
**Director of Commerce and Technology**  
**27 September 2006**

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# Huntingdonshire District Council

Audit of Accounts 2005/06: Communication of audit matters to those charged with governance

September 2006

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# 1 Executive summary

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## Background and purpose of the report

- 1.1 Huntingdonshire District Council (the Council) is responsible for the preparation of financial statements which record its financial position as at 31 March 2006 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements 'present fairly' the financial position of the Council. Our detailed findings are set out in section two.
- 1.2 Under the Audit Commission's new code of audit practice, which became effective from 2005/06 we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. To reach this conclusion we have carried out the Use of Resources judgements and Data Quality Management arrangements review using criteria prescribed by the Audit Commission, as well as a review of the latest Comprehensive Performance Assessment (CPA) and Direction of Travel statements. Our detailed findings are set out in section three.
- 1.3 The Audit Commission's Statement of Responsibilities for the audit of both the financial statements and in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources have been re-produced in full in Appendices G and H and reflect the full scope of our audit.
- 1.4 This is the first year of our reporting under *International Standard on Auditing (UK and Ireland 260) – Communication of audit matters with those charged with governance* (ISA 260) which requires us, as the Council's external auditors, to report to those charged with governance (for this Council the function is carried out by the Corporate Governance Panel) certain matters before giving an opinion on the financial statements. Prior to this year, we reported to those charged with governance under UK Auditing Standards, which have been superseded by the International Standards on Auditing (UK and Ireland). We have also chosen this report to communicate our findings on our formal conclusion of whether the Council has put in place proper arrangements to achieve economy, efficiency and effectiveness in its use of resources.
- 1.5 This report summarises the principal matters arising from our audit. The issues raised have been discussed with the Head of Financial Services and his team and other members of staff as appropriate.
- 1.6 We are also required by the Audit Commission to report on the actual audit fee charged against planned audit fees reported to those charged with governance and comment on reasons for any variances against the plan. Further details have been included in Appendix C.
- 1.7 The principal purposes of communication to those charged with governance are to:
  - Reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance;

- Share information to assist both the auditor and those charged with governance fulfil their respective responsibilities; and
- Provide to those charged with governance constructive observations arising from the audit process.

## Reporting to those charged with governance

- 1.8 We agreed with the Council that these communications would be discharged through a report to the Corporate Governance Panel on 27 September 2006.

## Audit conclusions

- 1.9 We are required to reach conclusions in two areas as part of our audit work. This section summarises those conclusions. Further details of the basis of each of these conclusions are set out in sections two and three of this report.

### Accounts opinion

- 1.10 We anticipate providing an unqualified opinion on the Council's accounts.

### Use of resources conclusion

- 1.11 We anticipate providing an unqualified conclusion on the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources, subject to the satisfactory completion of the outstanding audit work.

## Current status of the accounts audit

- 1.12 We were presented with draft financial statements at the Corporate Governance Panel meeting on 27 June 2006. The members of the Corporate Governance Panel reviewed and approved the draft accounts on 27 June 2006.
- 1.13 We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice, the 2005 Local Government Statement of Recommended Practice ('the SORP') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and applicable auditing standards. Our approach follows that set out in our audit plan discussed with the Council.
- 1.14 The appointed day for electors to ask the auditor questions on the accounts this year is 29 September 2006. We have received no questions or objections from the public in relation to the accounts to date.

## Matters outstanding in respect of the accounts audit

- 1.15 At the date of writing this report, the following matters relating to the accounts audit were still outstanding:
- (a) checking of final annual accounts disclosure and presentation adjustments agreed as part of the audit;
  - (b) audit testing in a number of areas including fixed asset disposals and debtor balances;
  - (c) reconciliation of bank and cash balances to the draft financial statements;
  - (d) confirmation in respect of the outcomes of the audit of the Cambridgeshire County Council pension fund from the pension scheme auditor, and
  - (e) review of the Council's Corporate Governance Statement.

- 1.16 In addition we have still to complete our audit finalisation procedures which will include:
- review of the final version of the statement of accounts;
  - receipt of a management representation letter; and
  - updating our Post Balance Sheet Events review to the date of signing the accounts.
- 1.17 Finally, we are required to provide an audit opinion on the consolidation pack that is to be completed as part of Whole of Government Accounts. We will complete this work once the accounts audit has been finalised and in time for the 6 October 2006 deadline.

## Current status of the Use of Resources audit

### Use of Resources Conclusion

- 1.18 We have completed the majority of our work on the Use of Resources and have been able to reach a provisional overall conclusion on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources. Specifically, we have completed audit work in the following areas under the Use of Resources code objective:
- Best Value Performance Plan (BVPP);
  - Audit testing on the code criteria (see paragraph 3.2 for details) relating to securing strategic and operational objectives, performance management and consultation;
  - Data Quality management arrangements review; and
  - Use of Resources judgements.
- 1.19 We undertook our audit work in respect of the 2005/06 Best Value Performance Plan (BVPP) in December 2005, to review compliance against the criteria specified in the ODPM circular 03/2003 and related addendum as well as guidance from the Audit Commission. We issued an unqualified audit opinion on the plan with no recommendations made to either the Audit Commission or the Secretary of State. Audit of the 2006/07 BVPP, which contains 2005/06 performance data, is ongoing and will be reported to the Audit Commission by October 2006 in accordance with their deadlines.
- 1.20 We are required to review the Council's latest corporate assessment and direction of travel statement in order to satisfactorily reach our conclusion on the Code criteria one to three relating to securing strategic and operational objectives, performance management and consultation. In completing this work we are not required to re-perform the work of the corporate assessment team and the relationship manager, rather we are looking to place reliance on this work. At this stage there are no issues arising from this review that would impact on our Use of Resources conclusion.

### Data Quality

- 1.21 The Audit Commission has mandated that a separate piece of audit work be completed to be able to form a satisfactory conclusion in respect of data quality. This piece of work involves a review of the corporate management arrangements in place at the Council to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice.
- 1.22 Our review of data quality is ongoing, and our audit work to date suggests that the arrangements that the Council has in place to secure data quality are adequate.

## **Use of Resources Judgements**

- 1.23 The use of resources judgement, designed by the Audit Commission, assesses how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 1.24 We reported the outcome of our audit work in this area to the Corporate Governance Panel in June 2006. Overall the Council achieved a score of three for the 2005-06 judgements, which represents an assessment of "performing well", above minimum standards, on the Audit Commission's scoring system. Further details are set out in Section 3 of this report.
- 1.25 We have identified a number of recommendations to assist the Council with its improvement agenda. The main areas covered included a need to continue to develop and embed risk management arrangements and developing an assurance framework to support the Statement on Internal Control.

## **Matters outstanding in respect of the Use of Resources conclusion**

- 1.26 At the date of writing this report, the following matters relating to the Use of Resources conclusion were still outstanding:
- (a) completion of audit testing on the code criteria (see paragraph 3.2 for details) relating to securing strategic and operational objectives, performance management and consultation;
  - (b) completion of our review of the arrangements in place to secure adequate data quality; and
  - (c) a post balance sheet events review to update our findings in respect of our use of resources judgements and BVPP audit work completed in March 2006 and December 2005 respectively.

## **Use of this report**

- 1.27 This report has been prepared solely for the use of the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant standards on auditing. This report should not be used for any other purpose. No responsibility is assumed by us to any other person. This report should be read in conjunction with the Management Representation letter, which has also been submitted to this meeting.
- 1.28 This report includes only those matters of governance interest that have come to the attention of the auditor as a result of the performance of the audit. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.
- 1.29 We would like to take this opportunity to remind the Corporate Governance Panel of the need to for the implementation of the recommendations arising out of this report (see Appendix B) and all other reports issued in the year (see Appendix C), to be monitored.

## **Acknowledgements**

- 1.30 We should like to record our appreciation for the co-operation and assistance provided to us by officers at the Council during the course of our audit.

**RSM Robson Rhodes LLP**



## 2 The audit of the accounts

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### Introduction

2.1 We summarise in this section our observations on the Council's overall financial position, and those matters, which we are required to report under ISA 260.

### Overall financial results

2.2 Following the decision by the Government to cap the Council's budget requirement at £15.160million, the amount of expenditure to be funded from revenue reserves was increased by £387,000 to £2.2 million to offset the reduction of the Council's budget requirement by the same amount.

2.3 Net revenue expenditure was underspent by £1.9 million (10.8%) against the original budget and there were a number of adverse and favourable variances making up this net underspend. None of these variances were individually significant and were summarised in the Revenue Monitoring Outturn report as:

- £0.7 million lower net expenditure on staff and management costs together with other overheads;
- £0.4 million of additional staff and overhead costs being charged to capital and,
- £1.1 million of lower spending on service budgets of which £0.5 million relates to additional interest on investments.
- £0.3 million of higher spending on contingencies and technical items.

2.4 Thus the revenue deficit, funded from revenue reserves was reduced to just £227,000 as shown in the Consolidated Revenue Account.

2.5 The Council's capital expenditure for the 2005/06 financial year was £15.9 million (excluding non-specified investments) compared to the original budgeted expenditure of £18.5 million. The reason for the under spend against the capital programme was mainly due to deferrals of schemes into 2006/07.

2.6 Performance against budgets will form part of the evidence in the Use of Resources judgements 2006/07, in particular key lines of enquiry 2.1, 2.2, 2.3 and 3.1. Applying the judgement used in the 2005/06 Use of Resources work then the performance against budgets appears to be at least adequate, using Audit Commission definition. However there appear to be significant variances arising in year as set out above.

2.7 There was a deficit balance of £646,000 on the Collection Fund at 31 March 2006, which will be re-distributed to the precepting authorities in 2007/08.

2.8 The Council has a medium term plan and financial forecast in place up to and including the 2016/17 financial year. The projections within the medium term financial strategy include allowances for inflation and savings targets.

- 2.9 As a result of the capping decision in 2005/06, the Council's medium term financial strategy limits future increases in Council Tax to the higher of 5% and the increase which would result from a 5% increase in budget requirements. This decision should reduce the risk of capping in the future.
- 2.10 The medium term financial plan includes significant savings of approximately £3.3 million by 2010/11 rising to £5.8 million by 2016/17 in order to achieve the current plan. The Council's financial position is at risk if these significant levels of savings are not achieved in forthcoming years. We do not have any particular concerns at this stage in respect of the ability of the Council to manage these risks but will continue to monitor the Council's arrangements for progress in delivering its savings plans.

## Key issues

- 2.11 Under ISA 260, we are required to consider audit matters of governance interest that arise from the audit of the financial statements and communicate them with those charged with governance. The areas considered are as follows:
- (a) Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff
  - (b) The overall approach and scope of the audit including any limitations thereon, or any additional requirements;
  - (c) The selection of, or changes in, significant accounting policies and practices that have, or could have a material effect on the entity's financial statements;
  - (d) The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
  - (e) Audit adjustments, whether recorded or not by the entity that have, or could have a material impact on the entity's financial statements;
  - (f) Those uncorrected misstatements aggregated by the auditor during the audit that were determined by management to be not material by management both individually and in aggregate to the financial statements as a whole; and
  - (g) Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involvement by management.
- 2.12 We summarise our key audit findings in relation to the above areas in Table 1.

**Table 1: Key audit findings**

Ref	Area	Key messages
A	Independence	<p>We are able to confirm our independence and objectivity as auditors and would note the following:</p> <ul style="list-style-type: none"> <li>• We are independently appointed by the Audit Commission;</li> <li>• The firm has been assessed by the Audit Commission</li> </ul>

Ref	Area	Key messages
		<p>as complying with its required quality standards;</p> <ul style="list-style-type: none"> <li>• The appointed auditor and client service manager are subject to rotation every 5 years;</li> <li>• We comply with the Auditing Practices Board's Ethical Standards; and</li> <li>• We have received fees for the statutory audit in 2005/06 of £82,000. The only other fees that we have received for non-code audit work relate to the certification of grant claims and returns, which the Audit Commission requires its appointed auditors, rather than a third party, to undertake on the grounds of efficiency. We have received no fees for work undertaken following questions from the public.</li> <li>• Details of our fees are set out in Appendix C.</li> </ul>
B	Approach to the audit	<p>Our approach to the audit was set out in our 2005/06 audit plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice. Other key factors to highlight include:</p> <ul style="list-style-type: none"> <li>• We consider the materiality of items in the financial statements both in determining the approach to audit them and in determining the impact of any errors;</li> <li>• We have been able to place appropriate reliance on the key accounting systems operating at the Council for final accounts audit purposes. We provide details in Appendix B of any suggested improvements to systems arising from our Accounts Audit.</li> <li>• We aim to place reliance on the work of internal audit in accordance with the 'managed' audit approach. We are pleased to note that in 2005/06 we have been able to place reliance on the work of internal audit in respect of the key accounting systems.</li> </ul> <p>No significant changes have been made to our audit approach in the year.</p>
C	Accounting policies and practices.	<p>We consider that the Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies adopted were in accordance with the 2005 Local Government Statement of Recommended Practice ('the</p>

Ref	Area	Key messages
		<p>SORP') and arrangements in key judgement areas were satisfactory.</p> <p>We recommend that the Council reviews its wording of the depreciation policy included within the draft financial statements to ensure that it accurately reflects current practice.</p> <p>The Corporate Governance Panel confirmed that they are satisfied that the accounting policies adopted by the Council are the most appropriate for the Council, as required by FRS 18, at its meeting on 27 June 2006.</p> <p>The overall quality of the Council's working papers to support the 2005/06 accounts was good. After the completion of this audit, as our first year as auditors, we will undertake a review of the audit process with the Council with a view to identifying any opportunities to improve the flow of information between the Council and ourselves to strengthen arrangements even further, with a view to the Council improving on its score of 2 for Financial Reporting in future Use of Resources Judgements.</p> <p>We are satisfied that it is appropriate for the Council to produce its account on a going concern basis.</p> <p>We are satisfied that the relevant financial information disclosed in the Introduction to the accounts is consistent with the financial statements.</p>
D	Material risks and exposures	<p>The Council has confirmed in its management representations letter that it has no material risks and exposures at September 2006, which should be reflected in the financial statements.</p> <p>Our audit procedures have not identified any significant risks and exposures to the Council at September 2006.</p>
E	Audit adjustments	<p>Our audit has identified a number of adjustments which have been discussed and agreed with management. Details of these adjustments are provided in Appendix A.</p> <p>It is not unusual in a year when there has been a change in auditors for a number of adjustments to arise as a result of the new auditor's professional judgements and assessment of risk.</p>
F	Unadjusted errors	<p>We are pleased to note that, following discussions with management, all recommended adjustments have been made.</p>

Ref	Area	Key messages
G	Other matters	<p>We are required to report to the Corporate Governance Panel any other material weaknesses in internal control, questions regarding management integrity, or fraud involvement by management identified during our audit procedures.</p> <p>We have not identified any such matters, that we have not already reported, that require the attention of the Corporate Governance Panel.</p>

- 2.13 We have discussed these and other matters arising with the staff at the Council and have reflected their responses to the matters raised in the Action Plan attached at Appendix B.

### Next steps

- 2.14 We will continue to work with the Council to ensure that outstanding finalisation issues are completed in time for the accounts to be formally signed in accordance with the statutory deadline of 30 September 2006.

**RSM Robson Rhodes LLP**

**September 2006**

### 3 Use of resources conclusion

#### Background

- 3.1 The new Code of Audit Practice requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources.
- 3.2 The Use of Resources conclusion for local government bodies comprises an assessment of arrangements for twelve Code of Practice Criteria. These are linked to the Use of Resources judgements (UOR) and other work mandated by the Audit Commission as set out below:

**Table 2: Link between Code criteria and audit work**

Code Criteria “The Body has put in place....”		Auditor Assurances and work undertaken	Conclusion (has the Council achieved the required standards)
1	Arrangements for setting, reviewing and implementing its strategic and operational objectives	Review of latest corporate assessment and direction of travel statement.	TBC
2	Channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Review of latest corporate assessment and direction of travel statement.	TBC
3	Arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Review of latest corporate assessment and direction of travel statement.	TBC
4	Arrangements to monitor the quality of its published performance information, and to report the results to members.	Data Quality overall management arrangements review.	Yes
5	Arrangements to maintain a sound system of internal control.	Use of Resources judgements work on KLOE 4.2.	Yes
6	Arrangements to manage its significant business risks.	Use of Resources judgements work on KLOE 4.1.	Yes
7	Arrangements to manage and improve value for money.	Use of Resources judgements work on KLOE 5.2.	Yes
8	A medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Use of Resources judgements work on KLOE 2.1	Yes
9	Arrangements to ensure that its spending matches its available resources.	Use of Resources judgements work on KLOE 3.1	Yes

Code Criteria “The Body has put in place....”		Auditor Assurances and work undertaken	Conclusion (has the Council achieved the required standards)
10	Arrangements for managing performance against budgets.	Use of Resources judgements work on KLOE 2.2	Yes
11	Arrangements for the management of its asset base.	Use of Resources judgements work on KLOE 2.3	Yes
12	Arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Use of Resources judgements work on KLOE 4.3	Yes

3.3 A summary of our audit work completed to date under each of these Code criteria has been set out below.

### Review of Corporate Assessment and Direction of Travel Statement

3.4 We are required to review the Council's latest corporate assessment and direction of travel statement in order to satisfactorily conclude on the Code criteria one to three above. In completing this work we are not required to re-perform the work of the corporate assessment team and the relationship manager, rather we are looking to place reliance on this work.

3.5 In this area of work, we are only assessing whether or not the arrangements are adequate. Therefore these tests are not designed to identify all matters relating to securing strategic and operational objectives, performance management and consultation that may be relevant to those charged with governance. To complete this work we will review the work to date of the Audit Commission Relationship Manager on the Direction of Travel Statement.

3.6 We are yet to complete our audit work in this area. Should there be any matters arising from this work that require reporting to the Corporate Governance Panel, we will notify you of these matters as soon as possible.

### Data Quality Audit Work

3.7 The Audit Commission has mandated that a separate piece of audit work be completed to be able to form a satisfactory conclusion in respect of Code criteria four above. This piece of work involves a review to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice.

3.8 We are required to assess the Council against five key themes, being governance, policies, systems and processes, people and skills and data use. There are a series of key lines of audit enquiry underpinning each of these themes, which form the basis for collecting evidence to support the conclusions drawn from the data quality audit work. The five themes are scored on a level from one (arrangements are below minimum requirements) to four (arrangements are well above minimum requirements).

3.9 We are only required to assess whether or not the Council has adequate arrangements, being a score of level two or above, to be able to provide an unqualified conclusion in respect of data quality.

- 3.10 Our review of data quality is ongoing, but there are no factors arising from our audit work that indicate that the arrangements the Council has in place to secure data quality are not adequate. Therefore we do not anticipate the Use of Resources conclusion to be qualified as a result of our data quality audit work. However, should there be any other matters arising from our review of data quality then we will notify you of these matters as soon as possible.
- 3.11 We anticipate providing a detailed report on our data quality work to the Corporate Governance Panel meeting to be held on 13 December 2006.

### Use of Resources Judgements

- 3.12 The results of our Use of Resources judgements audit work were reported to the Corporate Governance Panel in March 2006. A summary of the scores has been re-produced in Table 3:.

**Table 3 - overall Use of Resources theme scores**

Use of Resources Theme	Score
1 Financial reporting	2
2 Financial management	3
3 Financial standing	3
4 Internal Control	2
5 Value for money	3

- 3.13 In order for an unqualified Use of Resources conclusion to be provided in respect of the relevant Code criteria a local government body should achieve the minimum standards at Level two under the relevant Use of Resources judgements.
- 3.14 A score of at least 'two' was achieved in each of the key lines of enquiry that are relevant to the Use of Resources conclusion. The main areas for improvement identified from our original review were:
- The need to continue to strengthen and embed risk management arrangements throughout the Council, and
  - The development of an assurance framework to provide information to support the Statement on Internal Control.
- 3.15 We are yet to complete our finalisation procedures in this area, which involves obtaining an update on the key lines of enquiry relevant to the Use of Resources conclusion. We will complete this work in September 2006, and will report to you should there be any matters that require your attention.

### Use of Resources Conclusion

- 3.16 Having completed our work on the audit of the Council's accounts and undertaken the work required to assess the criteria set out above, we anticipate that we will provide the Council with an unqualified conclusion on its arrangements for securing economy, efficiency and effectiveness in the use of its resources, subject to the satisfactory completion of the audit work detailed above.



## **Audit of the Best Value Performance Plan**

- 3.17 There currently remains a requirement for all councils to produce a Best Value Performance Plan (BVPP) and for auditors to undertake a compliance audit.
- 3.18 We assessed the BVPP for compliance against the criteria specified in the ODPM circular 03/2003 and related addendum as well as guidance from the Audit Commission.
- 3.19 Our audit confirmed that in all significant respects the Council prepared and published its BVPP in accordance with the law and regulations governing it. Accordingly we issued an unqualified audit opinion on the plan with no recommendations made to either the Audit Commission or the Secretary of State.

## Appendix A – Accounts adjustments agreed

Finding	Summary of adjustment agreed
<b>Adjustments that affect results reported in the main financial statements</b>	
<b>None</b>	
<b>Classification adjustments that affect the manner in which results are disclosed in the financial statements – these adjustments have no impact on the Council’s reserves position or on reported CRA performance</b>	
<b>Fixed Assets – Disposals</b>	
<p>A non-operational asset with a net book value of £489,000 held as surplus for disposal was disposed of during March 2006.</p> <p>This asset was not removed from the Fixed Asset Register (FAR) and is included within the Fixed Assets values in the draft financial statements. Fixed assets are overstated by £489,000.</p>	<p>The disposals should be reflected in the financial accounts.</p> <p>Dr Fixed Asset Restatement Account    £489,000                      Cr Non-operational Assets                £489,000</p>
<b>Consolidated Balance Sheet (CBS) – Intangible Assets</b>	
<p>During 2005/6, £12,526,000 of long-term investments managed by two investment fund-holders were capitalised by the Council as non-specified investments. These have been included within intangible fixed assets on the CBS.</p> <p>This is consistent with the accounting treatment in 2004/5, which we understand was agreed with their previous auditors.</p> <p>We do not consider that the investments meets the criteria of an intangible asset and should be reclassified as long-term investments.</p>	<p>Reclassify non-specified investments as long term investments to reflect their nature.</p> <p>Dr Long Term Investments    £12,526,000                      Cr Intangible Assets            £12,526,000</p>

Finding	Summary of adjustment agreed
<b>Consolidated Revenue Account (CRA)</b>	
<p>The transfer from the underspending reserve has been overstated in the draft Consolidated Revenue Account (CRA) by £131,000. The actual amount transferred was £122,000.</p> <p>This adjustment therefore increases the earmarked reserve for underspendings by £131,000 but increases the use of general reserves by £131,000 to £358,000.</p>	<p>Reduction of transfer from underspending reserve by £131,000 to £122,000.</p> <p>Adjustments as a result of this misstatement are also required to the Consolidated Balance Sheet (CBS) and Statement of Total Movement in Reserves.</p>
<b>Note 1 to the CBS, Fixed Assets</b>	
<p>A reconciliation of the figures included within the CBS for each category of assets was undertaken to the Council's Fixed Asset Register. We have identified a number of classification adjustments to the disclosures in the accounts.</p>	<p>The following reclassifications should be made within the fixed asset disclosure note:</p> <p><u>Operating Assets</u></p> <ul style="list-style-type: none"> <li>- Bus Stations Dr £60,000 (£679,000)</li> <li>- Transportation Cr £60,000 (£685,000)</li>   <li>- County parks and recreation grounds Dr £11,000 (£959,000)</li> <li>- Parks and Open Spaces Improvements Cr £11,000 (£691,000)</li>   <li>- Vehicles and Plant Dr £10,000 (£2,539,000)</li> <li>- Computer and Office Equipment Cr £10,000 (£206,000)</li> </ul> <p><u>Non-Operational Assets</u></p> <p>Balance brought forward incorrect in Note 1:</p> <ul style="list-style-type: none"> <li>- Estates Dr £104,000 (£2,266,000)</li> <li>- Industrial properties Cr £104,000 (£5,038,000)</li> </ul> <p><u>Intangible Assets</u></p> <p>Balance brought forward in Note 1; reduction of £8,000 required.</p>
<b>Disclosure adjustments that only require changes to the notes to the accounts</b>	
<p>A number of disclosure adjustments have been agreed to improve clarity and presentation of the accounts which do not affect the reported financial position.</p>	
<b>Capital commitments</b>	
<p>Audit testing has identified that capital commitments as at 31 March 2006 have been overstated within Note 1 to the draft CBS.</p>	<p>Capital commitments figure reported as part of Note 1, Assets, to the CBS to be restated from £3 million to £2.762m.</p>

Finding	Summary of adjustment agreed
<b>Deferred Charges</b>	
<p>Whilst in accordance with the SORP , deferred charges have not been included on the face of the CBS, they have been included within Note 1 to the CBS, Fixed Assets,.</p> <p>The SORP requires that movements of deferred charges are disclosed in the notes to the accounts. However, as they are not assets this should be disclosed as a separate note.</p> <p>The SORP suggests that this information should be disclosed after assets and before financing of capital expenditure.</p>	<p>The year-on-year movement of deferred charges should be disclosed as a separate note to the CBS.</p>
<b>The Collection Fund</b>	
<p>The SORP requires that the following is disclosed as a note to the Collection Fund:</p> <p style="padding-left: 40px;">The name of each authority which made a significant precept or demand on the fund and the amount for each authority.</p> <p>This information is not included as a note to the Collection Fund within the draft financial statements.</p>	<p>To ensure compliance with the SORP, this information should be presented as a note to the Collection Fund for those authorities with a precept which is considered to be significant.</p>
<b>Accounting Policies – Depreciation</b>	
<p>Testing undertaken on the calculation of depreciation highlighted that the information included within accounting policy 11 on depreciation does not accurately reflect current practice at the Council.</p> <p>For instance, some buildings have an Useful Economic Life (UEL) in excess of 40 years and some equipment is depreciated over a period of longer than 10 years.</p>	<p>Explanations considered to be reasonable have been provided where there appear to be differences between stated depreciation policies and depreciation in practice.</p> <p>However, an amendment should be made to the wording of the policy to ensure it accurately reflects Council practices.</p>
<b>Cashflow Statement</b>	
<p>The SORP requires a note to the cashflow statement reconciling items included under the Financing and Management of Liquid Resources section to the opening and closing balance sheets. This note has not been included within the draft financial statements.</p>	<p>A note should be included that reconciles items included under the Financing and Management of Liquid Resources section to the opening and closing balance sheets.</p>

Finding	Summary of adjustment agreed									
<b>Pensions Liability</b>										
<p><u>Note 5 to the CRA – Pensions and movements in net pensions asset/liability</u></p> <p>A disclosure note relating to assumptions in respect of commutation adjustments relating to the change to the Local Government Pension Scheme (LGPS) has not been included in the draft financial statements as required by LAAP Bulletin 65. This bulletin was issued after the Council had approved its accounts.</p>	<p>The Council should disclose that the approach taken by the actuaries in arriving at the estimation of the valuation of the Council's retirement scheme is that no allowance for the change to the LGPS has been made. Standard wording recommended for this disclosure is included within LAAP Bulletin 65.</p>									
<b>Note 5 to the CBS, Leases</b>										
<p>The 2005/6 payment for operating leases has been overstated by £201,000.</p>	<p>2005/6 payment for operating leases to be amended to £23,000.</p>									
<p><b>Note 4 to the Consolidated Revenue Account (CRA) Trading Undertakings</b></p> <p>The figures included in Note 4 for turnover and surplus for industrial and commercial properties were misstated in the finalised 2004/5 accounts and require amendment.</p>	<p>An adjustment is required to Note 4. 2004/5 figures should be shown as restated with amounts as follows:</p> <table border="0" data-bbox="799 1008 1396 1131"> <thead> <tr> <th></th> <th style="text-align: right;">Turnover</th> <th style="text-align: right;">Surplus</th> </tr> </thead> <tbody> <tr> <td>Industrial properties</td> <td style="text-align: right;">£514,000</td> <td style="text-align: right;">£168,000</td> </tr> <tr> <td>Commercial Properties</td> <td style="text-align: right;">£160,000</td> <td style="text-align: right;">£49,000</td> </tr> </tbody> </table>		Turnover	Surplus	Industrial properties	£514,000	£168,000	Commercial Properties	£160,000	£49,000
	Turnover	Surplus								
Industrial properties	£514,000	£168,000								
Commercial Properties	£160,000	£49,000								
<b>Disclosure of fixed assets</b>										
<p>Non-operational assets have not been broken down into the categories required by the SORP. Surplus Assets held for Disposal should be identified separately in the notes to the accounts.</p>	<p>Fixed assets should be re-categorised into headings that comply with the SORP.</p>									
<b>Note 2 to the CRA – Leisure Centre Management Committees</b>										
<p>There is a understatement of £29,000 between the figure included in Note 2 to the CRA for deficit funding for individual leisure centres and that included in the Leisure Centre accounts.</p>	<p>Note 2 to be revised to reflect actual figures from Leisure Centre accounts.</p>									
<b>Note 7 to the CRA, Transfer from the Capital Financing Account</b>										
<p>Deferred charges for 2004/5 have been overstated by £545,000 in Note 7, Transfer from the Capital Financing Account. Depreciation has been understated by the same amount.</p> <p>The correct charge for depreciation has been included within Note 6 to the CRA, Asset Management Revenue Account Movements.</p>	<p>Adjustments to be made to reflect correct breakdown per 2004/05 accounts.</p>									

## Appendix B – Action Plan

Finding	Action required for 2005-06 Accounts	Other system improvement required	Management response	Implementation Date
<p><b>Fixed Asset Disposals</b>                      As a result of the audit, the Council has identified that a non-operational asset included within the draft 2005/6 Consolidated Balance Sheet (CBS) was disposed of for a sum of £489,000 during March 2006. This asset was not removed from the Fixed Asset Register (FAR) and its net book value is included within the draft Consolidated Balance Sheet (CBS).</p>	<p>Appropriate adjustments should be made to Fixed Assets as shown in the CBS and to the Fixed Asset Restatement Reserve. Any adjustments made will require tracing through to the Statement of Movement in Reserves.</p>	<p>Weaknesses have been identified in the processes in place for maintaining the FAR. The Council should review its procedures in this area to ensure that all disposals are notified promptly to finance to ensure that the balance sheet is correctly stated.</p>	<p>Agreed</p>	<p>December 2006</p>
<p><b>Prepayment calculations</b>                      A review of pre-payments identified that in some cases they had been incorrectly calculated (an error rate of 14.5% in the 48 items sampled). The value of the error has been extrapolated at £15,000 across all prepayments and is not material</p>	<p>None – amount is not material.</p>	<p>The Council should include specific guidance on the calculation of prepayments in the accounts closedown processes in future years.</p>	<p>Agreed</p>	<p>March 2007</p>

Finding	Action required for 2005-06 Accounts	Other system improvement required	Management response	Implementation Date
<p><b>Journal authorisation</b>                      From review of year-end journals it was noted that there is no authorisation or review process in place at the Council. Journals can be posted by all accountancy staff.                      There is therefore an increased risk of errors or other misstatement arising from journal processing.</p>	<p>None</p>	<p>We consider that journal entries should be subject to independent review and approval.</p>	<p>Not Agreed                      Journals can only be processed by accountancy staff who work in small teams under the supervision of a Principal Accountant. They are experienced and competent staff. In the circumstances and given the number of journals processed per year the level of risk is low and the resources required for effective checking not warranted.</p>	
<p><b>Prior year adjustment</b>                      The Council has processed a prior year adjustment for its deferred credit liability for 2004/5. An adjustment of £51,000 has been made to prior year reported figures following the receipt of a contribution towards capital expenditure, thereby reducing the amount of deferred credit liability outstanding and</p>	<p>Additional disclosures should be made in the accounts to reflect the restated figures for 2004/05.</p>	<p>The Council should consult with external audit when considering future prior year adjustments to ensure they meet the requirements of the SORP.</p>	<p>Agreed</p>	<p>Ongoing</p>

Finding	Action required for 2005-06 Accounts	Other system improvement required	Management response	Implementation Date
<p>increasing the capital finance account by £51,000. This adjustment does not meet the requirements of the SORP.</p>				
<p><b>Fixed asset disclosures</b>                      The CBS should only include two lines in respect of Assets, these being intangible fixed assets and intangible fixed assets.                      Note 1, Assets, should contain the detail which is currently disclosed within the draft CBS. The additional information as disclosed in the draft Note 1 is unnecessary in terms of information required to be provided within the Council's financial statements and is not clear to the reader.</p>	None	The balance sheet and note 1 should be reviewed and the format amended in future years to ensure that information presented is easily understood by the reader.	Agreed	March 2007
<p><b>Disclosure of long term debtors</b>                      An amount of £143,000 relating to a loan to St Neots Town Council has been included in long-term debtors. £8,893 of this loan is due for repayment in 2006/7 and should be included in current debtors.                      Note 7 to the Consolidated Balance Sheet, Debtors, includes a balance of £120,000 due for loans to employees repayable within five years. Part of this debtor should, therefore, be classified as a long-term debtor.</p>	None	The Council should consider in future years whether long term debtor balances are significantly material to warrant the split between current and long term debts.	Agreed	March 2007



## Appendix C – Audit fee update and reports issued in year

Audit area	Plan 2005/06	Actual 2005/06
Accounts	35,000	TBC
Performance	47,000	TBC
<b>Total Code of Audit Practice fee</b>	<b>82,000</b>	<b>TBC</b>
Grant claim certification	25,000	See below
Additional voluntary work (under section 35)	N/a	N/a
<b>Total</b>	<b>107,000</b>	<b>TBC</b>

Grant claim certification work will be completed between September and December 2006.

## Reports and opinions issued in the year

Report title	Date issued
Best Value Performance Indicators – Audit Opinion on 2004/05 outturn	October 2005
Best Value Performance Plan Audit Opinion – 2005/06	November 2005
Use of Resources 2005/06 Judgements report	March 2006
Audit and Inspection Plan 2006/07	June 2006
Annual Audit letter – 2004/05	March 2006

## Appendix D – Statement of Responsibilities in respect of the audit of the financial statements

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The financial statements, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare financial statements that present fairly the financial position of the body and its expenditure and income.

The audited body is also responsible for preparing and publishing with its financial statements a statement on internal control.

Auditors audit the financial statements and give their opinion, including:

- (a) whether they present fairly the financial position of the audited body and its expenditure and income for the year in question; and
- (b) whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Subject to the concept of materiality, auditors provide reasonable assurance that the financial statements:

- (a) are free from material misstatement, whether caused by fraud or other irregularity or error;
- (b) comply with statutory and other applicable requirements; and
- (c) comply with all relevant requirements for accounting presentation and disclosure.

Auditors examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.

Auditors evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving their opinion on the financial statements. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.

Auditors review whether the statement on internal control has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the financial statements and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. Auditors are not required to consider whether the statement on internal control covers all risks and

controls, nor are auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.

## Appendix E – Statement of Responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

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It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives;
- determining policy and making decisions;
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community;
- ensuring compliance with established policies, procedures, laws and regulations;
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- ensuring compliance with the general duty of best value, where applicable;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements. Auditors of specified local government bodies (best value authorities) also have a responsibility to consider, and report on, the audited body's compliance with statutory requirements in respect of the preparation and publication of its best value performance plan.

Auditors are responsible for reporting annually their conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements.

However, auditors are not required to consider whether aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.

When assessing risk auditors consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type;
- other risks that apply specifically to individual audited bodies;
- the audited body's own assessment of the risks it faces; and
- the arrangements put in place by the body to manage and address its risks.

In assessing risks auditors have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work;
- the results of assessments of performance carried out by the Commission;
- the work of other statutory inspectorates; and
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.

In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and, in making any recommendations, auditors should avoid any perception that they have any role in the decision making arrangements of the audited body.

While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.

Auditors are not required to report to audited bodies on the accuracy of performance information that the audited bodies publish. Auditors' work is limited to a review of the systems put in place by the audited body to collect, record and publish the information, in accordance with guidance issued by the Commission. Nor are auditors

required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by those audited bodies that are required to prepare best value performance plans.

Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.

**CORPORATE GOVERNANCE PANEL**

**27 SEPTEMBER 2006**

**INTERNAL AUDIT SERVICE  
INTERNAL AUDIT PLAN 2006-07  
(Report by the Internal Audit Manager)**

**1. PURPOSE**

- 1.1** To consider the internal audit plan for 2006-07 and invite the Panel to comment upon the plan prior to it being formally agreed by the Director of Commerce & Technology.

**2. STRATEGIC & ANNUAL PLANNING**

- 2.1** As members of the Panel will recall, an interim audit plan for 2006-07 was presented to the March meeting. Staffing and computer audit issues have now been resolved and a plan for the full year can now be presented.
- 2.2** The Internal Audit 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 form this opinion is governed in the main by the annual audit plan.
- 2.3** 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. The strategic plan has recently been reviewed and amended to take account of the risks listed in the risk register. There are currently 180 areas listed in the strategic plan.
- 2.4** 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. RECOMMENDATION**

- 3.1** It is recommended that the Panel consider the Annual Audit Plan and determine whether they wish to make any comments to the Director of Commerce & Technology.

**ACCESS TO INFORMATION ACT 1985**

Strategic Audit Plan

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

Internal Audit Service

Internal Audit  
&  
Assurance Plan  
2006-07



## **2006-07 Internal Audit & Assurance Plan**

The 2006-07 Internal Audit & Assurance Plan has been prepared in accordance with best practice as contained in the 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 support the Statement on Internal Control. The plan has therefore 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.

A summary of the audits is contained in 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.

Apart from undertaking the audits detailed in the plan, internal audit are also likely to be involved in providing advice and assistance with regard to the annual assurance opinion, dealing with whistleblowing allegations received and the national fraud initiative.

**David Harwood**  
**Audit Manager**  
**18 September 2006**

## Corporate Systems

<p><b>Operations Centre – The Delivery of Services: R Preston</b></p> <p>This review will examine the steps taken by individual services to prepare for the challenge of delivering services from the new operations centre. It will consider project planning incl. the preparation of risk registers, change management, staff communications and procurement issues.</p>	25
<p><b>Disposal of Electronic &amp; Paper Information: C Hall</b></p> <p>A recent Information Tribunal ruling has clarified the procedures to be followed for the deleting of electronic data. This audit will consider the Council's response to the ruling together with a review as to how paper based information is stored and disposed of. This area has not been reviewed previously.</p>	10
<p><b>Staff Capacity &amp; Performance: P Duerden</b></p> <p>The risk register contains a number of risks around the theme of service capacity and the ability of staff to deliver constantly improving services. This audit will examine the support structures in place that identify services or staff who may be finding it difficult to manage change; the assistance offered to staff to help them continually adapt and deliver what is required.</p>	15
<p><b>Sustainability: R Preston</b></p> <p>To review the Council's approach to the management of 'green' activities and the impact on the environment, e.g. energy efficiency (current and proposed buildings), climate change, air quality. This area has not been reviewed previously.</p>	15
<p><b>Business Continuity: R Reeves</b></p> <p>The risk register recognises business continuity and service recovery to be a 'very high' risk. This audit will review the business continuity management procedures in place throughout the Council and include a review of the risk assessments in place for the changing approach to the delivery of services arising from the new building development.</p>	12
<p><b>Efficiency Savings: S Couper</b></p> <p>Specific actions have been agreed with respect to efficiency (Gershon) savings following the recent CPA Use of Resources assessment. This audit will review how potential savings have been identified, targets setting and monitoring, the completion of returns and associated information that support the submissions and linkages to the budget processes.</p>	10
<p><b>Management of Health &amp; Safety: P Duerden</b></p> <p>This audit will consider the Council's approach to health and safety, including the role/responsibilities of Health &amp; Safety Officers and managers, the approach taken towards the assessment of risk and the introduction of best practice, codes of conduct and legislation. There are many references to health and safety in the risk register. This area has not been audited previously.</p>	15
<p><b>Performance Indicators: I Leatherbarrow</b></p> <p>To review the systems and procedures in place that allow key performance indicators to be collated and their achievement verified. The audit will review a sample of the BVPI's that have been reserved or qualified by the external auditors. This system was last reviewed in August 2003 and received a limited opinion.</p>	15

	Audit Days
<p><b>Implementation of Member Decisions: R Reeves</b> To examine the procedures in place to ensure that decisions taken by Members are recorded, monitored and actioned appropriately. This area was last reviewed in December 2003 and received a limited opinion.</p>	10
<p><b>Communications: I Leatherbarrow</b> Effective consultation and communication with staff and stakeholders is an important element of the Council's business. This review will examine the effectiveness of the Council's Communications and Consultation Strategy and the mechanisms used to consult staff and stakeholders.</p>	10
<p><b>Corporate Subscriptions: S Couper</b> The Council subscribes to a number of regular publications. This audit will consider the type and cost of subscriptions, duplication of subscription and alternative ways of obtaining and sharing information. This area has not been reviewed previously.</p>	5
Total Allocation	142

## Financial Systems

<p><b>National Non Domestic Rates: J Barber</b> To review on an annual basis a particular aspect of the NNDR system. This year's review will examine the valuation list, incl. liaison with the Valuation Office and notifications, amendments and reconciliations.</p>	10
<p><b>Housing Benefits: J Barber</b> To review on an annual basis the administration of the Housing Benefit systems. This year's review will examine overpayments and recovery, subsidy claim, training and performance management. Areas considered to be key operational and financial controls identified within Housing Benefit &amp; Council Tax Performance Standards appropriate to this area will also be considered.</p>	15
<p><b>Creditors: S Couper</b> To review on a cyclical basis specific areas of the creditors system. This years review will examine the purchase ledger (including batch payments, urgent payments, the use of manual order books/obtaining goods without an order, receipting of goods) and review the controls introduced to address key fraud related areas.</p>	15
<p><b>Main Accounting System: S Couper</b> To review procedures within the e-financials management system. This will include the control of journals, accounting codes, feeder system reconciliation's, and the transfer of opening and closing balances between financial years. This area was last reviewed in January 2004 and received a limited opinion.</p>	10
<p><b>Integrated Payroll &amp; Personnel System: P Duerden</b> This system is reviewed on an annual basis. The review will examine the procedures followed to manage statutory and voluntary deductions from payroll.</p>	20
Total Allocation	70

## Commerce & Technology

**Loans & Investments: S Couper** 8

This audit will review the management of loans and investments against the Treasury Management Strategy. The implementation of previously agreed audit actions will also be reviewed. The area was last reviewed in December 2003.

**Insurance: S Couper** 15

The Internal Audit Manager became responsible for the insurance service in January 2006. This review will examine the systems and procedures followed for the receipt, administration and settlement of insurance claims. This area was last reviewed in October 2002 and received a limited opinion.

**Mortgages: J Barber** 8

This audit will examine the financial administration of those mortgages still being administered by the Council. This will include the application of interest rate changes, interest calculations, notifications and the collection of mortgage payments and insurance provisions.

Total Allocation 31

## Central Services

**Gifts, Hospitality & Register of Interests: R Reeves** 5

To examine the procedures in place for the recording of gifts or hospitality received or given by both Members and Officers in accordance with the Local Government Act 2000. This area was last reviewed in December 2001 and received an adequate opinion

**Leisure Centres: R Reeves** 35

To continually review across the 5 Leisure Centres specific areas of their operation. This year's review will examine the financial management of the Centres including cash income controls and the provision of management information.

**Leisure Centres – Bars & Catering: R Reeves** 15

The review will identify the risks associated with the operation of the Leisure Centre bars and catering arrangements and the management controls introduced to address those risks. The implementation of previously agreed recommendations will also be reviewed. This area was last reviewed in December 2002.

**Licensing: R Reeves** 12

The Licensing Act 2003 required the Council to undertake duties previously performed by the Magistrates Courts. This review will examine the administrative procedures introduced to manage the receipt, review and granting of licence applications. Work will also be undertaken to review the taxi and private hire vehicle applications. This area was last reviewed in September 2000 and received an adequate opinion.

**Land Charges: R Reeves** 10

A review of the systems and procedures 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.

Total Allocation 77

	Audit Days
<b>ICT Audit</b>	
<b>Post Implementation Review: C Hall</b>	10
A series of PIR's is to be undertaken to examine the success or otherwise of ICT enabled projects. The timing of, and selection of the project to be reviewed, will be determined during the year as projects 'go-live'.	
Further information to be provided by Deloitte & Touche	
Network Infrastructure	12
Change Control	5
Data Protection	8
Facilities Move	5
Application Audit	7
Total Allocation	<u>47</u>
<b>Operational Services</b>	
<b>Homelessness: S Plant</b>	10
To examine the systems and procedures for the management of homeless families. This area was last reviewed in August 2001 and received an adequate level of assurance.	
<b>On &amp; Off Street Parking: R Ward</b>	10
This audit will examine the management of parking charges and excess charges. This audit was last reviewed in May 2001 and received an adequate opinion.	
<b>Markets: R Ward</b>	10
This audit will examine the management of street markets, specifically the procedures for the receipt and accounting for income. This area was last reviewed in October 2001 and was considered to have a low level of control.	
<b>Building Control Fees: R Preston</b>	10
This review will examine the systems and procedures in place to administer all fee income. The implementation of previously agreed recommendations will also be reviewed. This area was last reviewed in December 1998.	
<b>Section 106 Agreements: S Ingram</b>	12
This review will consider the systems in place for the negotiation of agreements with developers, the receipt and subsequent expenditure of funding and the record keeping and monitoring processes in place. This area has not been reviewed previously.	
<b>Management of Trees &amp; Plants: R Ward</b>	10
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.	
Total Allocation	<u>62</u>

**Contract Audit**

**Service/Supply Contract:**

The annual assurance statement identifies 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 review the tendering process and procedures followed during the currency of the contract.

8

Total Allocation 8

## RISK REGISTER

### (Report by the Internal Audit Manager)

#### 1. Purpose

- 1.1 To provide members of the Panel with information on the risk register.

#### 2. Corporate Risk Register

- 2.1 Attached at Appendix A is a copy of the risk register. The register has been prepared following consultation with Heads of Service and been reviewed by the Risk Management Group and the Chief Officers' Management Team.
- 2.2 The register should not be seen as a finished product, rather one that will be amended as threats and opportunities arise. The register identifies both corporate and operational risks as required by the risk management strategy.
- 2.3 The register is an important internal control document. Whilst some work has already been done to link risks to business objectives, further work will be required, once changes to the Corporate Plan have been agreed and service plans and scorecard targets amended. Upon completion of this work, the register will be a valuable source of information for the annual Statement on Corporate Governance.

#### 3. 'Very High' Risks

- 3.1 The risk strategy requires that all residual risks that are considered to be 'very high' should be presented to the Panel, so that they can take a decision as to whether the risks should be tolerated or treated. The register contains 12 of these risks.
- 3.2 Heads of Service have not yet prepared option appraisal forms for Panel members to consider. These will be available for the December meeting when a further report will be submitted.

#### 4. Recommendation

- 4.1 It is recommended that the Panel note the register.

#### ACCESS TO INFORMATION ACT 1985

Notes of meetings with Senior Managers  
Risk Management Group papers

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

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Huntingdonshire District Council  
Risk Register

RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Assessment of Risk <i>Assume No Controls in Place</i>		Risk Control Measures in Place		Assessment of Residual Risk <i>(Likelihood x Impact)</i> With Control Measures	
		Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
1 Service recovery and/or business continuity plans are inadequate resulting, over both the short and medium term, in the Council's inability to provide an appropriate service.	Service objectives/targets not achievable Inability to fulfill statutory obligations. Reputation damage Loss of income Payments not made Loss of leadership & affect on staff morale Loss of utilities / power for substantial amount of time	4	5	4	5	4	5
2 The Council, as a partner to the Leisure Centre Joint Agreements, does not ensure that agreements are regularly reviewed resulting in additional costs falling on the Council	Joint Agreements are not negotiated on time; grey areas of responsibility for maintenance/repair remains unresolved; financial loss - ratio of costs between CCC & HDC.	4	4	4	4	4	4
3 A Major Civil Emergency occurs and the Council is not prepared for it (Rest Centres)	No provision to receive, feed and provide sleeping arrangements for people Staff are not aware of their roles and responsibilities No support from other agencies / internal and external contacts Poor communications Inappropriate venues Adverse publicity	5	5	5	3	5	3
4 Public injury, illness or property damage is caused from inadequate maintenance of trees and/or poisonous plants, damaging our reputation and increasing expenditure.	Adverse publicity following an incident resulting in death / injury to member of the public / staff or damage to property. Increase in insurance premiums due to increased household claims.	4	5	3	5	3	5
5 A incident occurs at a Leisure Centre which requires services to be halted or dramatically reduced.	Service objectives not achievable; unable to function (due to fire, vandalism, loss of keys, staffing issues); inability to fulfill obligations; financial and/or other loss; costs associated with investigation/recovery; all or part of leisure centre is forced to close; loss of income; customers move to alternative facilities; reputation damage.	3	5	3	5	3	5
6 Information or data is lost leading to an inability to provide an appropriate service or respond to requests for information.	Unauthorised access to records and information Breaches in confidentiality Loss of information and data Bad reputation / adverse press Data / software not removed before IT equipment is disposed of Leak of rehousing info - domestic violence case may result in death	3	5	3	5	3	5
7 Users of the Leisure Centres are put at risk due to the employment of staff who are unsuitable to work with vulnerable people.	Accusation of inappropriate behaviour relating to members of the public and in particular young persons; adverse publicity; legal implications; adverse impact on service provision if all CRB checks are carried out before employment commences.	3	5	3	5	3	5

Huntingdonshire District Council  
Risk Register

RISK	Threat to achievement of business objective	Scope/potential consequences of risk		Assessment of Risk (likelihood x impact) Assume No Controls in Place		Risk Control Measures in Place		Assessment of Residual Risk (likelihood x impact) With Control Measures	
		Likelihood	Impact	Likelihood	Risk Score	Likelihood	Impact	Likelihood	Risk Score
8	The Council is capped requiring long and short term reductions in services to be made.	Withdrawal of all or part of a service; reputation damage. Additional costs of re-billing.	4	5	20	Council Tax level is set based on an assumption of the capping level.	2	5	10
9	Staff are involved in accidents which leads to increases in sickness absence and the inability of the Council to deliver services or meet targets.	Breaches in Health and Safety protocols Reputation damage Gaps in service delivery Staff morale adversely affected Targets not achieved Staff do not understand their roles and responsibilities in relation to Health and Safety Manual handling injuries / RSI Loss / damage to equipment Adverse impacts on service delivery Deadline slippage Targets not achieved Replacement costs Lead in times for replacement	3	5	15	Quarterly review of all Health and Safety risk assessments and incidents - related action plans are implemented and recorded Health and Safety issues are discussed annually Activity Managers are all qualified in Health and Safety Management Health and Safety inspectors Health and Safety Officer and Committee Induction training in Health and Safety Different training courses available, risk assessments Back up tapes Access controls Fire / security protection Security marking of assets CCTV unit Caretaker protocols Booking procedures for use of laptops away from the office Locks on notebook computers Equipment postcoded	2	5	10
10	ICT Security is breached causing both the loss of data and a loss of trust in the reliability of the data being held.	Adverse publicity following an incident / injury from an RTA involving HDC staff who are driving on Council business; employee driving on Council business without cover; vehicle not roadworthy; death / injury to member of staff; public, customer whilst using Council services / facilities; Fire in Council premises / facilities resulting in death / injury to stakeholders, lone working	3	5	15	All staff who drive on Council business self-certify that they have valid driving licences. Appropriate insurance & that their vehicle has an MOT (if required); driving licence check - initial & annual	2	5	10
11	A member of the public or an employee of the Council is seriously injured or killed due to the Council not providing its employees with either a safe working environment or sufficient and adequate training with regard to the tasks that it requires to be carried out.	Breaches in Health & Safety & other guidelines/protocols; reputation damage; gaps in service delivery, staff morale adversely affected; targets/new initiatives not achieved; staff do not know what to do.	3	5	15	Staff training & qualifications; membership of professional bodies and/or subscription to their, or other relevant publications; corporate training programme & external training sources are used; open discussions held about training needs; Health & Safety Officer in place.	2	5	10
12	A decision is taken contrary to legislation, statutory guidance or the Council's own policy and procedures that is successfully challenged, resulting in additional financial costs, reputation harm and reductions to service delivery.	Huntingdon no longer remains a vibrant shopping centre and community focus Staff leave & recruitment of staff becomes more difficult Local shops & businesses have difficulty in recruiting and retaining staff Car parking fees are introduced for long stay parking Media coverage highlights inconsistency of approach re Directors and Members. Shopping journeys outside the District increase which brings additional problems	5	4	20	Gamshare scheme in place Financial assistance to be offered to staff within travel to work plan Early consideration of increased home working	4	3	12
13	Staff are unwilling to change their mode of transport and the aims of Corporate Travel Plan are not met, resulting in the loss of car parking spaces for shoppers and other workers within Huntingdon town centre and damage to the Huntingdon economy.	Adverse publicity following an incident resulting in death / injury to member of the public / staff or damage to property; council land made available for third party event is not fit for the purpose or is left in unsafe condition after the event.	4	5	20	A risk assessment is produced for each event and a guidance manual on safety is made available; competent staff involved in inspections; formal inspection carried out before & after all Council organised events; site inspections immediately before and after an event where third parties are permitted to use Council Land to ensure that the site is safe for the intended purpose and that it is left in a safe condition; copies of performers insurance documentation obtained & retained.	3	4	12
14	The procedures for the management of Special Events organised by the Leisure Centres may not be robust and result in customer complaints.	Fuel shortages Additional costs incurred in funding fuel Gaps in service delivery Targets not met Public complaints / concern due to changes in services Reputation damage Lead in times for recovery / restock Stocks of fuel targeted Closure / loss of certain suppliers	4	4	16	Main 24,000 litre tank (12 days supply when full, delivery after 18,000 litres used leaving bank stock of 6,000 - would provide 3-4 days supply) Service priorities are known Off - site suppliers used Some vehicles are petrol driven	4	3	12
15	International events which impact on the cost / availability of fuel require the Council to review the importance and frequency of services being delivered.								

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16 The Council is unable to collect household and trade waste on a regular basis resulting in both environmental and health & safety concerns and a reduction in the quality of life of residents.	Withdraw parts of the service Reputation damage Targets not achieved Declining health of the population HDC's workforce are ill, inability to recruit additional staff to deliver the service Additional vehicles cannot be sourced Unplanned for costs arise Withdrawal of all or part of a service.	4	4	4	4	3	4
17 The Council is unable to secure sufficient external funding and grants to continue existing tasks and services.	Withdrawal of all or part of a service.	4	4	4	4	3	4
18 Estimates made as part of the budget setting process are incorrect, requiring service budgets to be reduced and consequently some services.	Withdrawal of all or part of a service.	3	4	3	4	3	4
19 The Council does not invest in or develop its staff leading to motivational problems and few service developments being delivered on time or budget.	Staff resistance / reluctance to take risks and accept change Staff are not adequately trained to do their jobs Staff may leave The Council may lose it's IIP accreditation Reputation damage Low staff morale New initiatives etc are not successful No 'buy in'	4	4	4	4	3	3
20 The Council does not deliver the new operations centre and/or HQ within budget or the timescales agreed, resulting in earlier than planned increases in Council Tax, business efficiencies and improved services not being delivered as expected and reputation damage.	Additional staff time dealing with project over-run. Reductions in specification to meet budgets increases long term revenue/capital costs Efficiency savings aren't generated as planned Criticism by external inspectors and reputation damage Increasing cost of alternative accommodation	4	4	4	4	3	3
21 The Council becomes over reliant upon a limited number of key information Technology & Systems specialists leading to the loss of information or IT related services when these staff are unavailable.	Backlogs; errors & omissions; stress; inability to recruit; quality deficit; deadlines missed; inability to plan & schedule; lack of IT training; project operational visibility; additional costs.	4	4	4	4	3	3
22 An interruption in the benefit system service or inadequate numbers of trained/skilled staff may lead to benefits not being paid correctly or on time.	Deadlines missed; errors & omissions; poor staff morale; additional administration & overtime costs; stress; sickness absence; adverse publicity.	4	4	4	4	3	3
23 Insufficient consideration is given to contract terms & conditions or the requirements of system users prior to IT solutions being sought, leading to delays in the procurement process and software and/or hardware being purchased that isn't appropriate for service needs.	Too long is taken over the legal side during drafting of the contract; companies go out of business or are taken over - company sustainability; wrong IT system chosen; IT system becomes obsolete or out of date; demand for ICT services exceeds supply; restricted availability; increased costs; new projects fail; adverse publicity; IT company is taken over & software is no longer supported; lack of leverage on software over suppliers	3	4	3	4	3	3

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24 Staffing levels are inadequate or staff are not adequately skilled to enable them to properly respond to new initiatives and/or legislation, leading to increases in staff absences and reductions in current service levels and delays in improving service delivery.	Staffing impacts Overspends Marked down in CPA Changing targets Inability of the Council to achieve in all areas Priority setting may not be in line with requirements Lobbying by Members / Senior Managers Withdrawal of services to fund new initiatives Customer complaints Value for money	3	4	12	Management arrangements to prioritise work MTP process in place to bid for additional resources	3	3	9		
25 The Council makes wrong judgement on self insurance resulting in unexpected costs	Financial reserves are reduced; All areas are insured in a 'knee jerk' reaction. The long term savings from self insurance are not taken.	4	3	12	Advice sought from Broker on most suitable risks to self-insure. Cautious approach to self-insurance to be adopted, incl. taking of stop-loss cover. Catastrophic coverage will be maintained. Adequate £ reserve to be set-aside to cover potential losses based on claims history. Full risk assessment process to be completed before self-insurance to take effect.	3	3	9		
26 The Council has difficulties in recruiting or retaining skilled staff due to its reputation or failure to provide appropriate support to staff.	Loss of key staff and / or managers; low staff morale; staffing shortages which impact on service delivery.	3	3	9	Staff development takes into account succession planning; multi skilling of the staff where ever possible. Staff incentive schemes. Local salary scheme. Ongoing improvements in the guidance for candidates and staff; regular training sessions for staff	3	3	9		
27 Deficiencies in the administration of elections and/or the elector registration processes leads to results being challenged and the Council being unable to operate effectively.	Failure in the conduct of elections Adverse publicity / reputation damage / customer complaints Additional costs / resources for re-running elections Loss of face / trust Inappropriate behaviour by members Staff administering the process / members do not know what they are doing Deadlines not achieved Errors in counts / results	3	3	9	Pro-active stance taken on sustainable developments Home energy advice etc Investments in appropriate projects are made A programme of green policies has been developed and implemented Pls Education of the public	3	3	9		
28 The Councils lack of an 'environmental' policy, leads to un-coordinated and conflicting initiatives being developed within departments.	Failure to green the business Inadequate attention given to issues relating global warming Reputation damage Social responsibilities may not be delivered by the authority / section Service provision may not meet needs Government initiatives not achieved / delivered / adhered to Resistance from the public	3	3	9	Balliff service is contracted out; details of known violent incidents are passed on with other information to contractors; bailiffs take the Police with them where problems are expected.	2	4	8		
29 Bailiffs are subject to violence & aggression resulting in injury and/or the non collection of debts.	Staff injury/assault; low morale; stress; sickness absence; Litigation & insurance claim; cost ; adverse publicity	3	5	15	Six monthly reviews of the fire safety standards in Printing Services are carried out in conjunction with the Health and Safety Adviser and Printing Manager Agreed procedures are used by new members of staff re suspect packages Activity Managers attend H&S course	2	4	8		
30 Ineffective site security arrangements at Council premises leads to the theft and/or loss of 'assets' and employees being concerned for their safety.	Fire Suspect packages and mail received at Reception Damage to property Reputation damage Injury to staff Adverse impact on service delivery if sites are not accessible Customer complaints	3	5	15		3	5	15		

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31 Partnerships entered into do not deliver the outcomes expected resulting in the Council failing to meet its service objectives.	Breakdown in relationship with a Housing Association partner Targets not achieved New initiatives unsuccessful Low staff morale Adverse impact on the service received by customers Financial costs to rectify problems / source other help etc Loss of support Adverse publicity arising from failures Poor value for money	3	4	12	Communication and regular liaison meetings with partners Nomination agreements with RSLs Housing Corporation governance of RSLs Contracts	2	4	8
32 The late receipt of, or inaccuracy of, information provided by departments may lead to financial information required by managers being issued late and/or be incorrect.	Deadlines are not met.	3	4	12	Staff goodwill Competent staff Well established and tested procedures In-house function Additional training provided to staff following upgrades of the system Systems are backed up nightly by IMD	2	4	8
33 The Council is unwilling to e-enable services and the opportunities to deliver improved, more cost effective services aren't realised.	Reduction in the introduction of programmes.	3	4	12	Education of Members; E-Government Board; E-Government Team; E-Government programme	2	4	8
34 Governance of the Council is weak resulting in poor and ineffective decision making.	The effectiveness of Members is not maintained Inability of Scrutiny to hold executive to account and make transparent decisions Failure to maintain high standards of conduct by District and Parish Councillors Reputation damage / loss of face Inappropriate behaviour by members <i>Insufficient candidates</i> <i>Effectiveness of publicity</i> <i>Public / councillor / political party inertia</i> <i>Lack of resources</i> <i>Poor training</i> <i>Little member time</i> <i>Poor member awareness</i> <i>Referral of member to standards board</i> <i>Members abusing their position</i>	3	4	12	A guide has been prepared which provides information for people who may wish to stand for public office - the guide is made widely available in the community A formal training programme is provided for members Training of Scrutiny Councillors to promote effectiveness of scrutiny function and efficient call in arrangements Minimum of 2 training sessions p.a. offered to councillors Effective and regular training of councillors Register of financial and other interests is maintained and kept up to date Documentation & guides provided to Members	2	4	8
35 Financial of other irregularities occur leading to additional financial costs, unforeseen investigation costs & reputation damage.	Bribing of staff and Members by developers Reputation damage Inappropriate decision making Financial / other loss Breach of confidential information Low staff morale Costs associated with recovery / investigation etc Staffing gaps	3	4	12	The Council's whistleblowing procedures are in place; staff are encouraged to report irregularities; Council procedures followed; procedure for appointment/vetting of staff; standing orders; police checks of relevant staff.	2	4	8
36 Poor communication and training on risk management means that the advantages to the Council of introducing robust risk management processes are not delivered.	Loss of opportunity Poor CPA score Reputation damage Risks aren't managed and subsequent losses (financial and otherwise)	3	4	12	Risk Management Strategy in place Risk Register in place CPA 2 score Risk Management Group in operation	2	4	8

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37 The Code of Procurement is not followed correctly, leading to accusations of irregular practices, the challenging of award decisions and increased procurement costs.	Civil action against the Council in the High Court; Court costs & unlimited fine; Officer time (legal, procurement & service area); Audit Commission investigation & adverse report; explanation & report to ODPM; Mark down in CPA; Adverse publicity & loss of reputation.  Insolvency or unsuitability of a contractor Closure of a significant / specialist supplier Adverse impacts on service delivery Success of projects / initiatives may be affected Targets may not be achieved Costs incurred to rectify problems Reputation damage Deadline slippage Contractors may not comply with Health and Safety procedures Supplier delivers goods / service below minimum standards	3	4	12	Procurement Manager appointed Standing Orders Procedures in place and published on the Intranet Training delivered Competent staff	2	4	8
38 Planning policy may be insufficient to meet local and government requirements	High Court over turns Local Plan Inappropriate decisions made Disgruntled customers Reputation damage Actions taken which may adversely affect the local environment / scenery / economy etc	3	4	12	Regular research and review of planning issues is carried out A complete review of planning policies is to be undertaken in order to produce a Local Development Framework Priority is given to developments which may result in severe impacts Well trained and experienced staff in post Government Planning Delivery grants to expand service in terms of IT, staffing and training <a href="#">Local Development Framework</a> Annual review	2	4	8
39 Managers do not consider alternative ways of treating risks that have always been covered by insurance.	Premium too high Better methods of delivering service not considered.	3	4	12	More effective use of Scrutiny Panel and involvement of more Councillors in budgetary process Training in local government financial systems; S151 officer	2	4	8
40 Decisions that support the Council's budget are not scrutinised robustly enough leading to budgets being set that don't reflect the needs of the whole District.	Funding directed at favoured projects rather than agreed objectives Service delivery implications and targets not achieved Staff / Manager and Member disagreements Ineffective priority setting Provisions may not meet local needs - customer complaints - reputation damage Lobbying by members Overspend through bad planning	3	4	12	Extensive training given to both staff and members Quality control checks included in the decision making processes Others check decisions Case studies are held about the decision making process Clear limits of powers are understood Development design brief produced Training and experience of staff	2	4	8
41 Development Control decisions are challenged requiring staff and financial resources to be directed at defending the challenge resulting in a reduction in service.	Inappropriate decisions made which adversely affect the area Health and Safety implications Stakeholder relations affected and reputation damage Financial implications associated with correction of errors etc Development does not meet needs of users	3	4	12	Extensive training given to both staff and members Quality control checks included in the decision making processes Others check decisions Case studies are held about the decision making process Clear limits of powers are understood Development design brief produced Training and experience of staff	2	4	8

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42 Building control customers take their business elsewhere due to the service not being carried out effectively, resulting in the eventual loss of the service.	Inappropriate decisions made which adversely affect the area Health and Safety implications Stakeholder relations affected Reputation damage Financial targets are not achieved Financial implications associated with the correction of errors etc Users needs are not met Reduction in building control application fee income Service delivery targets affected Staff redundancies Marketing costs Price fluctuations Section does not achieve break even requirement	3	4	12	Extensive training given to both staff and members Quality control checks included in the decision making processes Others check decisions Case studies are held about the decision making process Clear limits of powers are understood Training and experience of staff Proactive actions taken in providing builders and developers training and information in building control issues BS 5750 Accredited	2	4	8		
43 Insufficient review of proposals to Members leading to ineffective, inappropriate or ultra vires decisions, resulting in additional costs or loss of reputation.	Wrong or misleading advice may be given Ultra vires?	3	4	12	The Councils constitutional framework is covered in local level induction training with Office Manager Work is allocated to employees with sufficient experience and training If in doubt staff are encouraged to seek support Adequate licensing controls are in place, including accurate and effective processing of applications, the thorough investigation of complaints and the monitoring of changes in circumstances Training is given to Members and Officers New software is being used	2	4	8		
44 The arrangements for the management of licensing are poor.	Errors in licensing Reputation damage Costs incurred in rectifying problems Staff do not know what to do Adverse impacts on local economy Adverse impacts on local population Insufficient vetting undertaken and results from this Non - compliance with new legislation requirements	3	4	12	Ongoing improvements and integration of software system and better record management and interrogation Successful implementation of new software system; experienced staff; Land Charge system integrated with Planning	2	4	8		
45 The arrangements for the management of land charges are poor.	Compensation claims relating to inaccurate information on land charges Wrong information given Reputation damage Staff time implications Staff do not know what to do Service standards not achieved	3	4	12	Treasury strategy in place External consultant appointed Suitably qualified staff External Audit reviews Quarterly reports to Cabinet and Directors including a budgetary control statement	2	4	8		
46 Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected Council Tax increases or service cuts	Loss of investments Significant reduction in interest rates	3	4	12	Rigorous project management systems are used and associated training is provided Use of project methodology Monitor Service Plans Reports to Director	2	4	8		
47 Project management arrangements are poor, leading to projects not being delivered on time and/or budget.	Failure to manage projects effectively New initiatives / projects not implemented Cost and time over-runs Reputation damage / customer complaints Lessons are not learnt from previous projects Staff do not know what they are doing Lack of successful projects Stakeholders don't like what is provided Poor project appraisal Project creep Client not sure what is required and makes changes	3	4	12		2	4	8		

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48 Planning of work, time management and delegation are poor leading to high staff stress levels and work not being delivered on time.	Failure to meet statutory deadlines Other targets not achieved Service delivery impacts Customer complaints Low staff morale Reputation damage Work is not prioritised Work does not get completed	3	4	2	4	8	
49 Poor management of Council owned industrial / commercial properties leading to the loss of development opportunities and reducing financial returns.	Loss or damage to industrial / commercial premises The council's industrial and commercial properties do not meet the needs of the business community Inaccurate information about council owned properties Inappropriate decision making Reputation damage Possible legal and financial implications Financial losses made from premises Current assets are not fit for purpose	3	4	2	4	8	
50 The Council does not deliver against its Corporate Objectives or the BVPI resulting in adverse external audit and inspection reports and government intervention or restrictions of freedoms.	Staff morale adversely affected Increase in the number of staff leaving, due to additional pressures to improve performance Declining services linked to increasing council tax become difficult to justify Senior management changes Council's position re Lyons and financing is weakened Poor BVPI's Management information systems are poor	3	5	2	3	6	
51 The Council is unable to deliver sustained economic growth for the District leading to (over a period of time) reducing employment prospects and declining prosperity.	Economic implications Increasing unemployment in the district Changing degrees of support for local businesses Opportunities are lost Economy doesn't grow Insufficient / inappropriate land / premises Bad reputation Failure to convince local businesses that HDC is business friendly Poor business support Lack of trained workforce to implement policy Services not delivered Targets not achieved Low staff morale	3	4	2	3	6	
52 Managers discriminate against certain service users by not considering the needs of all service users when delivering or developing services.	Allegations relating to discrimination Services don't meet the needs of the local population Non - compliance with legislation / statutory requirements / new initiatives Reputation damage	3	4	2	3	6	



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53 Leisure Centres do not keep pace with the changing expectations of their customers resulting in a loss of customers and income.	Failure to provide the facilities required by the public; competitors are more successful; levels of income drop; adverse publicity. Additional efforts required to re-capture customers Increased expenditure in short-term to bring facilities back to an acceptable standard.	3	4	12	Two internal & one external customer surveys are conducted each year; competitors are monitored; attendance at Leisure Exhibitions; service plans are updated annually; staff structures reviewed; levels of income, admissions & expenditure are monitored; condition surveys of facilities are carried out; all leisure activities are monitored & reviewed.	2	3	6		
54 Communications with staff and stakeholders is poor, leading to rumours and / or incorrect information being circulated, damaging staff morale and local reputation.	Failure to consult / communicate with the public and stakeholders Reputation damage Customer resistance to change Staff and external parties don't know what is happening / what to do Gossip Low staff morale	3	4	12	Good relationships with the media Sound mechanisms are used to consult with the public and stakeholders regarding council services The Council's Communications and Consultation Strategy is followed throughout the organisation	2	3	6		
55 The Council's equipment and plant is not properly maintained, leading to its failure resulting in injury to staff or customers or reduction in service provision.	Failure of the refuse fleet Impacts on service delivery and achievement of targets Customer complaints Time and cost overruns Reputation damage Environmental impacts	3	4	12	Constant maintenance Planning replacement programme Ability to use contract vehicles at short notice	2	3	6		
56 There is inadequate control and security over paper records and electronic information leading to the inappropriate disclosure of information.	Unauthorised access to records and information Breaches in confidentiality Leak of confidential information Loss of information and data Reputation damage Data / software not removed before IT equipment is disposed of Destruction of records Investigation by Information Commissioner (or similar) Leak of rehousing info - domestic violence case may result in death	3	4	12	All software is removed and hard disks wiped clean by IMD before disposal Documents held in metal filing cabinets in most cases All incendiary sources away from cabinets, only destruction of building should cause such loss Many records held electronically and servers not held on the same floors Staff are encouraged to challenge strangers in secure areas All confidential documents stored in a semi-secure environment; Staff aware of arrangements for disposal of confidential waste Office access controls Nightly back up, weekly off site back ups Fire alarms & CCTV Regular reminders / training given to staff regarding the need for confidentiality Where appropriate documents are put into the strong room No smoking policy in Council buildings Many records are stored electronically and computer files are backed up each day and stored in a fireproof safe in a separate building Arrangements are in place for the disposal of confidential waste, including where appropriate the use of shredders A clear desk policy, as it relates to confidential and important documents is in place The Council's Information Security Policy and associated protocols are compliant with the Data Protection Policy adopted plus well established disciplinary rules and procedures LDF Core strategy prepared, April 2006 External inspection to review legality and soundness	2	3	6		
57 The Department for Communities and Local Government intervenes due to a failure to develop and implement the Local Development Framework resulting in financial restrictions and damage to reputation.	Managers unaware of these documents and impact on the development of Huntingdonshire as a whole Managers do not take account of the aims of the LDF when developing/delivering services	2	5	10		2	3	6		
58 Localised flooding occurs after periods of heavy rainfall and due to inadequate planning and/or funding, property damage occurs and the economic life in the District is disrupted.	Resources are transferred from other services Media coverage is high, harming the Council's reputation Additional costs incurred (overtime etc) Traffic gridlock due to flooded roads	3	3	9	Plans & procedures in place. Past experience of dealing with and working with other emergency services.	3	2	6		

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59 The Council does not react to local transport issues, developments, and needs leading to increased chance of adverse economic impact on the District.	Traffic gridlock / congestion in the District Resistance from the public Service provision may not meet needs Reputation damage Social responsibilities may not be delivered by the section / the authority Government initiatives may not be achieved / delivered or adhered to	3	3	9	2	3	6	Delivery of the Market Town Transport Plan and the Local Transport Plan in conjunction with partner organisations	2	3	6
60 The Council does not have linked data bases leading to errors in service delivery and poor local reputation.	Embarrassing errors in customer-related data e.g., Sending bills to deceased people Increased data manipulation & chance of error More staff required than needed Service planning is unable to take account of all data & trends	3	3	9	2	3	6	CRM system; sharing notifications of change corporately; LLPG property gazetteer; EDM linking flow of information ; internet; intranet.	2	3	6
61 The Councils complaints procedures (incl at service level) are not robust enough so not all complaints are properly recorded leading to maladministration and loss of reputation.	Failure to investigate complaints Disgruntled customers Lessons not learnt from incidents Low staff morale Loss of reputation Service delivery may be adversely affected Targets may not be achieved Ombudsman complaints / investigations Expected benefits not achieved.	3	3	9	2	3	6	All complaints received from the public about nuisances and health risks in the district are dealt with in an open and professional manner to defined standards Response times monitored	2	3	6
62 Capital projects are not delivered on time or within budget leading to delays in service improvements and unplanned increases in council tax or cuts in other services.	Increases in council tax or cuts in other services. Members' criticised by electorate. Negative local publicity Delay in progressing other schemes planned due to unavailability of staff.	3	3	9	2	3	6	Project planning and management used to monitor progress with projects; off-peak periods used to undertake work.	2	3	6
63 Despite receiving adequate training, employees make unintentional mistakes leading to incorrect levels of services being provided to customers.	Mistakes: adverse publicity; legal implications maladministration Unnecessary complaints having to be dealt with	3	3	9	2	3	6	Work is allocated to employees with sufficient experience & training; staff are encouraged to seek support if they feel out of their depth; slippage provisions are built into "time sensitive" work to reduce the likelihood of making mistakes; qualified solicitors; established procedures; limits of authority and write - off limits are clearly defined; escalation procedures; checking of peoples work, full time training officer.	2	3	6
64 Insurers will not accept liability for a loss that the Council believes it has insured, resulting in unexpected costs	Unforeseen costs Staff time required to resolve the matter Litigation	2	3	6	2	3	6	Insurance cover is continual, with no breaks. Changes to policy exclusions are reviewed when proposed and considered against current need. Alternative insurance to be taken, if it was felt warranted.	2	3	6
65 Council employees make poor procurement decisions on a daily basis resulting in increased costs of goods and services.	Increasing costs Unwise purchases Failure of contracts Risk of disputes & litigation Management oversight is poor	3	3	9	2	2	4	Competent Procurement Manager appointed Standing Orders Procedures in place and published on the Intranet Competent staff Training	2	2	4
66 Advice given to the Budget Holders by their Accountants may be inaccurate or incomplete or too late leading to budget holders taking wrong decisions that result in lower service provision or overspending.	Budgets overspent or under spent. Budget holders leave decisions to accountants. Increases in council tax/reduction in services to cover deficits.	3	3	9	2	2	4	Monthly performance monitoring Discussions with budget holders regarding potential problems Quarterly reports to Cabinet on expenditure	2	2	4
67 Council Tax direct debits are not collected on time (collected twice) leading to an increase (reduction) in the cost of borrowing and local reputation damage.	Overspend; adverse publicity; minor compensation payments to members of public; additional staff time to deal with queries	3	3	9	1	2	2	Established BACS procedures; contingency arrangements; timetable for known downtimes.	1	2	2

By virtue of paragraph(s) 2 of Part 1 of Schedule 12A of the Local Government Act 1972.

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