

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **KESTREL ROOM, COUNTRYSIDE CENTRE, HINCHINGBROOKE COUNTRY PARK, BRAMPTON ROAD, HUNTINGDON, PE29 6DB** on **TUESDAY, 22 SEPTEMBER 2009** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 4)

To approve as a correct record the Minutes of the meeting of the Panel held on 23rd June 2009.

**Miss H Ali
388006**

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 overleaf.

3. AUDIT COMMISSION PROPOSAL FOR CHANGE OF EXTERNAL AUDITORS

To receive a verbal update from the Director of Commerce and Technology on a proposal to change the Council's External Auditors.

**T Parker
388100**

4. REVIEW OF HOUSING BENEFIT FRAUD INVESTIGATION ACTIVITY & THE COUNCIL'S WHISTLEBLOWING POLICY
(Pages 5 - 8)

To consider a joint report by the Head of Customer Services and Audit & Risk Manager summarising the activity of the Benefits Fraud Investigation Team over the 2008/09 financial year and to note the outcome of the annual review on whistleblowing.

**Mrs J Barber
388105
D Harwood
388115**

5. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL (Pages 9 - 12)

To receive a report by the Head of Financial Services providing an update on progress made to deliver the action plan designed to improve the effectiveness of the Corporate Governance Panel.

**D Harwood
388115**

6. RISK REGISTER (Pages 13 - 28)

To receive a report by the Audit and Risk Manager providing an update on the Risk Register.

**D Harwood
388115**

7. **INTERNAL AUDIT SERVICE: ANNUAL AUDIT REPORT** (Pages 29 - 42)

To consider a report by the Audit and Risk Manager on the Internal Audit Service Annual Audit Report.

D Harwood
388115

8. **ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT** (Pages 43 - 54)

To consider a report by the Audit and Risk Manager detailing the outcome of a review of the effectiveness of the system of internal audit.

D Harwood
388115

9. **GOVERNANCE STATEMENT** (Pages 55 - 74)

To consider a report by the Head of Law, property & Governance seeking endorsement of the Council's Governance Statement for 2008/09.

H Thackray
388035

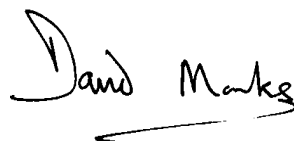
10. **APPROVAL FOR PUBLICATION OF THE 2008/09 ACCOUNTS** (Pages 75 - 330)

To consider a report by the Head of Financial Services setting out the processes to enable the Council's accounts for 2008/09 to be published.

S Couper
388103

The Statement of Accounts will be **TO FOLLOW**.

Dated this 17 day of September 2009



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, their family or any person with whom they had a close association;*
 - (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 £25,000; 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 Miss H Ali, Democratic Services Officer, Tel No: 01480 388006 / e-mail: Habbiba.Ali@huntsdc.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Panel.

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

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

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

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

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

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Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Aquarius Room, St Ivo Leisure Centre, Westwood Road, St Ives, Cambridgeshire, PE27 6WU on Tuesday, 23 June 2009.

PRESENT: Councillor C J Stephens – Chairman.
Councillors M G Baker, P L E Bucknell, S J Criswell, P J Downes and T V Rogers.

APOLOGY: An Apology for absence from the meeting was submitted on behalf of Councillor A Hansard.

5. MINUTES

The Minutes of the meeting of the Panel held on 13th May 2009 were approved as a correct record and signed by the Chairman.

6. MEMBERS' INTERESTS

No declarations were received.

7. ANNUAL AUDIT AND INSPECTION LETTER

(Mr N Smith, the Council's Relationship Manager for the Audit Commission was in attendance for consideration of this item).

The Panel gave consideration to the Annual Audit and Inspection Letter (a copy of which is appended in the Minute Book). In respect of the performance of the Council in 2007/08, Mr Smith informed Members that the Council's rate of improvement in priority areas compared favourably against other District Councils and drew the Panel's attention to the fact that the Council had consistently exceeded the Audit Commission's criteria for "performing well". Having noted the overall assessment and key issues arising from the account, the Panel

RESOLVED

that the Annual Audit and Inspection Letter be received and noted.

8. EXCLUSION OF THE PUBLIC

To resolve:-

that the public be excluded from the meeting because the business to be transacted contains exempt information relating to individuals.

9. HOUSING BENEFIT COMPLAINT: AWARD OF COMPENSATION

The Panel received and noted a report by the Head of Customer Services (a copy of which is appended in the annex to the Minute Book) on a complaint made against the Council by a member of the public and the terms of compensatory payment which had been approved in accordance with the scheme of delegations.

RESOLVED

that the report be received and noted.

10. RE-ADMITTANCE OF THE PUBLIC

RESOLVED

that the public be re-admitted to the meeting.

11. AUDIT STRATEGY DOCUMENT

(Mrs L Sandford of Grant Thornton UK LLP, the Council's external auditor, was in attendance for consideration of this item).

Consideration was given to the Audit Strategy Document for the year ending 31st March 2009 (a copy of which is appended in the Minute Book) which outlined the approach to be undertaken by the external auditors for the audit of the Council, which included the former Leisure Centre Management Committees.

RESOLVED

that the contents of the Audit Strategy Document be noted.

12. FINAL ACCOUNTS 2008/09

With the aid of a presentation by the Head of Financial Services, the Panel considered the draft Statement of Accounts for the year ended 31st March 2009 (a copy of which is appended in the Minute Book). Having had their attention drawn to a number of amendments, Members were acquainted with issues arising, which included the Council's investments, the pension fund, the treatment of capital and the collection fund.

In response to concerns which had been raised on the reported deficit in the pension fund, the Head of Financial Services informed Members that while the funds assets were currently valued at the market value for investments, a full valuation every 3 years took account of a wide variety of factors including liability and potential changes in investment markets and that this would be used to evaluate changes in the employer's contribution rate.

Arising from concerns relating to the risks associated with the Council's approach to long term investments, the Panel has received assurances that appropriate procedures were put in place through the Council's Treasury Management Strategy.

In response to a question on the appearance of Government Departments as one of the Council's debtors, Members were informed that this related to grant funding from Central Government which was currently being awaited.

Having commended the Head of Financial Services and relevant Officers on the compilation of the accounts, the Panel

RESOLVED

- (a) that the draft Statement of Accounts for the year ended 31st March 2009 be approved; and
- (b) that the Leisure Centre Management Committee Accounts for the year ended 31st March 2009 be approved.

13. INTERNAL AUDIT SERVICE: INTERNAL AUDIT PLAN

The Panel received a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) to which was appended a proposed Internal Audit and Assurance Plan for the 12 months period commencing 1st August 2009.

RESOLVED

that the Audit and Assurance Plan be approved.

14. ANTI-FRAUD AND CORRUPTION FRAMEWORK

By means of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was acquainted with the outcome of a review of the Council's Anti-Fraud and Corruption Framework. Having been apprised with details of the views of managers and staff on the current approach to be taken towards countering fraud and corruption, the Panel

RESOLVED

- (a) that the responses to the Anti-Fraud and Corruption Framework be noted; and
- (b) that the revised Anti-Fraud and Corruption Framework Action Plan be endorsed.

15. 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 2008/09.

RESOLVED

that the report be received and noted.

Chairman

CORPORATE GOVERNANCE PANEL

22 SEPTEMBER 2009

REVIEW OF HOUSING BENEFIT FRAUD INVESTIGATION ACTIVITY & THE COUNCIL'S WHISTLEBLOWING POLICY

(Report by the Head of Customer Services and Audit & Risk Manager)

1. INTRODUCTION

- 1.1 The December 2008 Panel meeting requested that activities in respect of Housing Benefit fraud and the annual review of the whistleblowing policy and procedure be considered together.

This report provides

- a summary of the activity of the Benefits Fraud Investigation Team for 2008/09; and
- details of the annual review of the whistleblowing policy and guidance and summarises the concerns received.

BENEFIT FRAUD

2. BACKGROUND

- 2.1 The Council currently pays housing and council tax benefit to over 9,500 residents in the district. In 2008/2009 Housing and/or Council Tax Benefit totalling £36m was paid.
- 2.2 The DWP estimates of the loss¹ due to fraud and error amounts to 5.5% of the national Housing Benefit spend. Loss due to fraud amounts to an estimated 1.0% of overall national benefit expenditure. Extrapolated for the Council, this indicates a potential annual loss through fraud of £360k and a further £1.98m in error.
- 2.3 The Housing Benefit Fraud Team consists of 6 staff. All are accredited counter fraud specialists and undergo regular and frequent refresher training in advanced criminal investigations and specialist anti-fraud techniques.
- 2.4 The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements such as PACE, CPIA, RIPA, CJA, SSAA and the Fraud Act 2006². In addition the Team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.
- 2.5 The Team undertake over 300 taped interviews with persons suspected of fraud each year. They conduct there own prosecutions

¹ See DWP reports- 'Action plan for tackling fraud and error in Housing Benefit and Council Tax Benefit. 2008' and Reducing 'Fraud in the Benefit System 2007'.

² Police and Criminal Evidence Acts, Criminal Procedures and Investigations Acts, Regulation of Investigatory Powers Acts, Criminal Justice Acts, Social Security Administration Acts

only instructing external solicitors and barristers to act in the event of trials or more complex cases.

- 2.6 The Team acts as the Council's Single Point of Contact for obtaining information from communication providers in according with The Regulatory Investigatory Powers Act 2000.
- 2.7 Revenue raised by the Team through government subsidy, fines imposed, costs awards and compensation orders currently makes the Team entirely cost neutral to the authority. In 2008/2009 the council realised a small surplus from its activities.
- 2.8 The Council subscribe to two Data Matching schemes. A monthly match is conducted with the DWP (HBMS) using their own and HMRC records and a bi-annual exercise is undertaken through the Audit Commissions 'National Fraud Initiative'.
- 2.9 The team have also started to use another data matching service - WestMAP - which allows the authority to use data from other service areas to identify potential fraud and error affecting benefits as well as other Council services.
- 2.10 The Team have recently been short-listed as a finalist in the Institute of Revenues Rating and Valuation (IRRV) annual Performance Awards in the 'Excellence in Anti-Fraud' category. To be selected for this award the Council has had to demonstrate that they have excelled in the area of anti-fraud and provide evidence of high levels of performance that have secured a measureable impact on fraud prevention and detection in the area of Benefits and/or Revenues. The results will be announced in October.

3. **ACTIVITY AND COMPARISON PERFORMANCE 2008- 2009**

Reported frauds by year

Year	Referrals	Cases accepted for investigation
2006/2007	909	370
2007/2008	693	353
2008/2009	744	440

Outcomes of investigations

Year	Cases investigated	Cases Proved	% Success	Value of overpayments
2006/2007	412	279	67%	£470,000
2007/2008	408	275	67%	£550,000
2008/2009	354	242	69%	£629,000

The further overpayments prevented in each year by investigations exceed the level of benefits overpaid in each- see Annual Reports

Sanction activity

Year	Cases selected for sanction	Cautions	Administrative penalties%	Prosecutions
2006/2007	109	15	60	34
2007/2008	125	14	61	50
2008/2009	115	16	50	49

- 3.1 Polices are in place to conduct sanctions against those people found to have committed offences which involve fraud, deception and theft. Every case is treated on its own merits and punitive action only considered where it would be in the public interest. Many incidences of fraud do not involve prosecution. However, where there has been a loss to the Council recovery is always pursued.

WHISTLEBLOWING

4. ANNUAL REVIEW

- 4.1 The whistleblowing policy and guidance are reviewed annually to ensure they continue to be fit for purpose.
- 4.2 The policy was introduced to allow any employee, contractor or member of the public the opportunity to report, without fear of victimisation, a serious or sensitive concern (e.g. a potential fraud or corrupt act, any danger to health and safety or the mistreatment or abuse of any customers, particularly children).
- 4.3 This year's review of the policy and guidance has been completed and no changes are considered necessary to either document.
- 4.4 An equality impact assessment was completed on the whistleblowing policy earlier in the year. One action – to improve access to the whistleblowing forms on the Council's website – was agreed and has been introduced.

5. PUBLICITY AND MATTERS RAISED

- 5.1 Employees and customers have a number of ways to raise whistleblowing concerns. These include an internet form, a specific email address and dedicated 24 hour telephone. Posters are also distributed both inside and outside the Council.
- 5.2 One action arising from the anti-fraud and corruption framework that was agreed by the Panel at its last meeting was the reintroduction of the benefit fraud hot line and whistleblowing phone number into District Wide. With the introduction of the Call Centre it is considered inappropriate to include specific numbers unless they are included in appropriate editorial pieces or paid advertisements.
- 5.3 7 concerns have been received through the various whistleblowing reporting channels.

- 2 related to housing or council tax benefit claims
- 2 were concerning planning enforcement
- 3 were referred to other organisations.

4 of the concerns were made anonymously.

5.4 All of the items reported referred to service delivery issues. None have questioned the honesty or integrity of Council staff. All the concerns have been reported to the relevant manager.

6. RECOMMENDATION

- 6.1 It is recommended that the Panel
- note the work undertaken in respect of benefit fraud
 - commend the Benefits Fraud Team on their work and approach to countering fraud which has been nationally recognised by their professional association; and
 - note that the annual review of the whistleblowing policy and procedure has been undertaken and that no changes are required to the current policy or guidance.

BACKGROUND INFORMATION

The Social Security Administration Act 1992, as amended.

The Fraud Act 2006

Police and Criminal Evidence Act 1984

Criminal Procedures and Investigations Act 1996

Local Government Acts 1972, as amended

Local Government Finance Act 1992, as amended

Housing Act 1996

HDC : Anti-Fraud and Corruption Strategy

Whistleblowing Policy & Procedure

Whistleblowing allegations received

Contact Officer:

Julia Barber - Head of Customer Services ☎ 01480 388105

David Harwood - Audit & Risk Manager ☎ 01480 388115

CORPORATE GOVERNANCE PANEL

22 SEPTEMBER 2009

**REVIEW OF THE EFFECTIVENESS OF THE
CORPORATE GOVERNANCE PANEL
(Report by the Head of Financial Services)**

1. INTRODUCTION

- 1.1 In August 2008, the Panel undertook a review of its own effectiveness, with the aim of identifying any opportunities for enhancing its effectiveness. The Panel identified a number of areas where changes might be beneficial and asked officers to prepare an action plan commenting on them and suggesting appropriate actions.
- 1.2 At the September 2008 Panel meeting the outcomes of the review were discussed and an action plan agreed. This reports updates the Panel on progress made to deliver that plan.

2. PROGRESS TO DATA

- 2.1 Annex A details the agreed actions and the current position. With the exception of one area, the remainder of the plan has been actioned. Officers will continue to monitor the delivery of the plan.

3. FUTURE REVIEWS

- 3.1 The Panel considered the 2008 review to be very thorough and felt that an annual review of effectiveness was not necessary. It was agreed that a further review be conducted prior to the 2011 governance statement being agreed.

4. RECOMMENDATIONS

- 4.1 It is recommended that the Panel note the action taken to address the 2008 action plan.

ACCESS TO INFORMATION ACT 1985

Self assessment review papers

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

**Effectiveness of the Corporate Governance Panel
Action Plan**

Annex A

Ref	Area Considered	Agreed Action	Implementation Date	Current Position
Terms of Reference				
2	Do the terms of reference follow the CIPFA model?	It is proposed that this is considered by the Council Structure Working Group (CSWG) that was established by Cabinet on 4 September.	Dependant on Working Group report and proposals.	Amendments to the Panel's terms of reference agreed by Council in April 2009 following CSWG report.
6	Do you feel that the all Members' of the Council are aware of the Panel, the work that it does and the importance of good governance?	The Chairman of the Panel to outline the work that is undertaken by the Panel, on behalf of all Members, when he introduces the report to Council that includes reference to the Annual Corporate Governance Statement.	December 2008	Overlooked in 2008. Planned for 2009.
Risk Management				
10	How does the Panel satisfy itself that the risk management ethos is being embedded into all areas of the Council?	The Audit and Risk Manager, in conjunction with the Head of Administration, to ask all Members if they require risk management training, and depending on need, hold short training sessions that explain the Council's approach to managing risk.	Request to Members October 2008 Training by January 2009	Training to 8 Members provided in December 2008. Revised risk management booklet on Members intranet pages.
Corporate Governance Statement				
13	Have issues that are being raised in the statement been considered by the Panel prior to the statement being presented to them?	Subject to discussion at the meeting.	-----	See item 14 below.
14	How could Officers' improve the information that the Panel receive regarding the review of the effectiveness of corporate governance arrangements?	The Chairman of the Panel will be invited to attend the meetings that are held to prepare the statement.	For September 2009 statement	The Chairman and Vice-Chairman of the Panel together with the Executive Councillor for Finance were invited to attend a meeting in early September that discussed the process followed and issues to be raised in the statement.

**Effectiveness of the Corporate Governance Panel
Action Plan**

Annex A

Ref	Area Considered	Agreed Action	Implementation Date	Current Position
External Audit & Inspection Process				
32	Are reports on the work of <ul style="list-style-type: none"> • external audit • and other inspection agencies presented to the Panel? 	All Heads of Service to report to the Panel on any external inspection report that makes comment on the Council's internal control or governance.	Ongoing	All external audits are reported to the Panel. No other inspection or similar reports have been received that deal with internal control or governance.
Financial Management is Adequate & Effective				
45	Does the Panel have a mechanism to keep it aware of topical legal and regulatory issues (e.g. through circulars and training)?	All Heads of Service to ensure that the Head of Democratic and Central Services is advised of any relevant items so that they can be added to the Panel's agenda and/or result in training sessions.	Ongoing	Significant items are included on the agenda. In the last year these include the BSI whistleblowing Code of Practice; CIPFA guidance on the review of the system of internal audit.
Fraud Awareness				
50	Is the Panel aware of the work being done to counter fraud and assured that sufficient resources are available?	A report from the Head of Customer Services shall be presented to the Panel, prior to the adoption of the annual governance statement, summarising the work that is being done to counter fraud.	September 2008	Reports on work to counter fraud presented to Panel in September 2008 & 2009.
Membership of the Panel				
53	Has the membership of the Panel been formally agreed and a quorum set?	It is proposed that this be referred to the Council Structure Working Group (CSWG) that was established by Cabinet on 4 September.	Dependant on Working Group report and proposals.	Amendments to the Panel's membership agreed by Council in April 2009 following CSWG report.

**Effectiveness of the Corporate Governance Panel
Action Plan**

Annex A

Ref	Area Considered	Agreed Action	Implementation Date	Current Position
56	Have all members' skills and experiences been assessed and training given for identified gaps?	Following the review of the Panel's terms of reference, Panel members are to consider any gaps in their knowledge and inform the Head of Administration so that training can be arranged. This exercise should be conducted annually.	3 months after the review of the Panel's terms of reference and annually thereafter.	Superseded by review of the Council's democratic structure by Member-led cross party working party with recommendations approved by Council in April 2009. Signing of the IDeA Member Development Charter and appointment of a Member Development Officer has resulted in an action plan to achieve charter status that will enhance Member skills and performance. Role descriptions have been developed for the Chairman and Vice Chairman of the Corporate Governance Panel.
Meetings				
68	Is the Panel satisfied that officers are acting on and monitoring actions taken to implement agreed actions, whether from internal, external or other reporting bodies?	<p>If the target for agreed audit actions is not achieved, COMT be asked to propose further steps to achieve the target.</p> <p>Agreed actions are to be monitored by the Policy and Strategic Services Manager and reported to the Panel.</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Internal audit target achieved.</p> <p>Actions identified and agreed from external audits are incorporated into the Council Improvement Plan. The Plan is reported to Cabinet quarterly and to the Panel half yearly.</p>

RISK REGISTER

(Report by the Audit & Risk Manager)

1. Purpose

- 1.1 To inform the Panel of the significant changes that have been made to the risk register in the period March 2009 – August 2009.

2. Amendments

- 2.1 The annexes attached summarise the changes that have been made to the risk register:

Annex A	24 new register entries
Annex B	4 risks deleted
Annex C	8 risks with significantly amended scores or mitigation

- 2.2 All changes to the register are reviewed by the Audit & Risk Manager on a monthly basis. This allows general over-sight and challenge of the risk entries and the inherent and residual scoring. The register is refreshed every quarter. COMT considered the risks that they oversee in August. The full risk register is available from the risk management intranet site.

- 2.3 Annex D summarises all the risks that have an residual risk score of 'Very High'.

- 2.4 Previous reports to the Panel have discussed how the management of risk dovetails with the assurance framework, the system of internal audit and the internal audit plan. The assurance that Panel can obtain from the approach to risk management is contained with the agenda report entitled "Governance Statement".

- 2.5 The National School of Government (the Government's own business school) have posted a copy of the Council's risk management strategy to the Best Practice Document Library on their website. It is the only local authority document currently on the site.

3. Recommendation

- 3.1 It is recommended that the Panel note the changes that have been made to the risk register.

ACCESS TO INFORMATION ACT 1985

Risk Register

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

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
Risk Owner: Head of Customer Services					
142	Economic downturn leads to increases in arrears leading to the reduction in income and cash flow problems	Increase in CT arrears and reduced collection, despite having to still pay preceptors the due amounts on the due dates. Likewise for NNDR receipts.	Very High	Credit & debit cards system live. Work with Housing Benefit & Citizens Advice Bureau to ensure people's liability is reduced in accordance with the legislation. Recovery is planned for each month to target people who are falling in to arrears. This is designed to prevent arrears developing into unmanageable amounts	High
143	Economic downturn leads to increased demand for Housing Benefit and Customer Services that cannot be met from existing resources resulting in a fall in service levels and damage to the reputation of the Council	Rising unemployment leads to more benefit claims and more customers at service centre and via phone, email and letter. Unable to meet demand leads to backlog and longer waiting times.	Very High	DWP have provided funding for three extra temporary staff.	High
144	Housing Benefit fraud goes undetected leading to loss of funds from public purse	Benefit fraud is perpetrated and goes undetected - this can lead to an increase in fraud due to a perception that the council is an easy target. Reputation problems can occur.	High	Information provided to the public to enable them to tell us about a suspected fraud. Fraud team undertake regular training and carry out risk assessment on every referral. Investigations result in sanctions. Prosecutions published in newspaper.	Medium

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
155	The Benefits service is compromised because the council does not meet Code of Connection requirements and is unable to connect to Government Connect.	Unable to gather data from DWP that is required to assess Housing Benefit claims. If claims are not assessed, they won't be paid and claimants could face hardship or eviction.	Very High	Project board overseeing the work of the project team. Project plan in place. Risk and issues logs regularly updated.	Medium
Risk Owner: Head of Democratic and Central Services					
153	Competition and economic downturn affecting volume of land charge searches, leading to reduction in Council income.	Loss of income.	Very High	New pricing structure as per statutory requirements. Marketing of service to potential customers.	High
162	A pandemic flu outbreak occurs affecting Huntingdonshire leading to significant staff absence, resulting in the inability of the Council to provide full services and/or meet targets.	Lack of staff capacity both in terms of numbers and skills reduced services. Inability to respond to an emergency situation. Reduced income.	Very High	Swine Flu - advice and information updates to staff via intranet and notices weekly meetings of officers to review available information and advise on actions to be taken with regard to the safety and welfare of staff. Service Recovery Plan. Virucidal hand gel (or wipes) have been made available to staff conducting home visits and to staff in direct contact with the public. Withdraw vulnerable (pregnant or with existing respiratory or immune impaired condition) employees from public contact.	High

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
Risk Owner: Head of Environmental Management					
146	Failure to prepare for and adapt to climate change already occurring, resulting in wasted investment , costs of emergency action and retrofitting buildings with adaptation measures.	<p>Potential costs which will be evaluated. Link to NI188.</p> <p>Potential major disruption to services and corporate reputation damaged.</p>	Very High	<p>To help mitigate and adapt to climate change Achievements: Environment Management are working in partnership with the County and other Districts to produce a Local Climate Impact Profile. This document will highlight climatic threats to the District including floods and warmer weather events that can impact on service delivery. It should then be used to provide a platform for costing the impact of such events for the Council.</p> <p>Programme internally led by climate change adaptation officer working with County and key service areas.</p>	Medium
154	Lack of staff and funds mean failure to deliver expanding environmental agenda.	Failure to maintain and target staff resource and funds to key developing environmental areas eg carbon management programme and climate change adaptation means failure to deliver environmental objectives. Climate change adaptation officer only on short term contract if not renewed LCLIP programme fails. Need to address upskilling of existing staff to meet need of new green agenda (e.g. areas of renewable technologies and district energy/combined heat and power).	Very High	<p>Puts measures for Carbon reduction in place across organisation to save £2.2M over 5 years in energy costs. Figure will be 800k per annum in 5 years time.</p> <p>Implementation of 3 stage programme to determine, cost and put in place measures internally and within wider District to adapt to climate change.</p>	Very High

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
Risk Owner: Head of Financial Services					
166	The agreed internal audit plan and agreed audit actions are not delivered leading to a shortfall in assurance on the internal control environment and criticism by the external auditors.	<p>Unplanned work required that exceeds audit plan contingency budget so planned audits can't be undertaken.</p> <p>Staff shortages</p> <p>Unable to provide 'robust' internal control opinion to CGP due to plan not being completed, requiring inclusion in annual governance statement.</p> <p>External audit unable to place reliance on the work of internal audit.</p> <p>Managers do not co-operate with internal audit reviews, leading to delays in completing the audit plan and poor performance indicators. Managers fail to introduce agreed audit actions.</p>	Medium	<p>Monthly reporting to S151 & all HoS on percentage of actions introduced.</p> <p>The percentage figure added directly to Corvu reports by Policy.</p> <p>Corvu info prepared quarterly that highlights delays in progressing individual audits.</p> <p>Auditors have KPI's that relate to achievement of audit plan.</p> <p>Reports sent to CGP twice a year outlining delivery against the audit plan and highlighting any concerns about non-delivery.</p> <p>Use external consultants to complete parts of the internal audit plan or the unforeseen additional work.</p>	Low

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
167	The service is not compliant with the current Cipfa Code of Audit Practice leading to criticism from the external auditors and reduction in assurance to Corporate Governance Panel.	<p>The audit universe is not aligned with the risk register leading to some significant risk areas being ignored.</p> <p>The Internal Audit Manager becomes responsible for additional, non audit services, leading to a compromise in the independence of the service.</p> <p>The Internal Audit Manager does not have direct access to, or the freedom to report without fear or favour to the COMT or Corporate Governance Panel leading to the presentation of reports that do identify issues of significant concern.</p> <p>Internal audit reviews completed are not to an appropriate standard resulting in work having to be re-performed, auditee complaints, additional work (fees) having to be done by external auditors and poor UoR scoring.</p>	High	<p>The register is mapped to the audit universe by the Audit Mgr prior to preparing the 4 year rolling strategic plan, annually.</p> <p>The internal audit manual sets out the standards required and details how work should be performed. The manual is reviewed annually by the Audit Manager.</p> <p>The Audit Manager reports twice yearly to CGP, which include a statement on the internal control environment and significant concerns.</p> <p>The Audit Manager undertakes a self-assessment against the Code and reports the findings, including any action needed, to the Corp Gov Panel. The last review was completed in 2008. The next is due in 2011.</p>	Low

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
Risk Owner: Head of Housing Services					
148	Increased homelessness and applicants on the housing register due to imminent changes to the local housing allowances (housing benefits).	<p>Local housing allowances are changing August 2009 leading to inaccessibility to some people to access the private rented sector and some current renters will be unable to continue renting at affordable levels.</p> <p>The affect will be increased homelessness presentations and an inability to use the private sector as an existing solution going forward. In addition, the numbers on the council's housing register will increase leading to delays in addressing high priority need.</p>	Very High	None identified	Very High

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
Risk Owner: Head of Information Management					
150	Delivering the web strategy - there may be insufficient resources to deliver the objectives of the web strategy.	Without the right resources implementing the web strategy may be difficult. Officers will need to spend time & energy creating and amending content to ensure customers make the most of our website.	High	<p>All services are actioned to ensure that Officers who create/edit content have this recognised in their job descriptions.</p> <p>All Customer facing services are actioned to ensure they have an objective to improve the use of the web in 2009/10. Therefore they will allocate resource to delivering this action.</p> <p>IMD and HR are working to develop a new training package for officers. This will allow them to create relevant content more speedily, and not invest time and effort creating over-engineered content.</p>	Medium
151	Delivering the Web strategy - We may over engineer the MyCouncil application.	If the Council invests too much effort making the web site over engineered, then we may waste money and also increase the likelihood that customers will not use the website. This will increase costs in other customer service channels, as customers will migrate to them.	High	The Project team will spend time and effort looking at customer need to ensure we design the website around them. Will also involve reps from services in workshops to ensure we listen to their opinions.	Medium

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
163	Government Connect Code of Connection rules restrict flexibility of ICT provision.	Unable to exploit technology to its full extent (e.g. unable to use remote access tools as originally intended); connection to Central Government systems is severed due to breach of Code of Connection and services are adversely affected.	Very High	Project underway with objective to meet Code of Connection requirements.	High
Risk Owner: Head of Law, Property and Governance					
158	Records of Contracts and Property lost or destroyed resulting in problems of evidence.	Financial loss; operational difficulties; damage to reputation.	High	Document scanned and stored electronically on Case Management system where practicable. All property registered at HM Land Registry. Secure strong room.	Medium
Risk Owner: Head of Operations					
157	Reduction in income streams would reduce the available revenue base leading to either the requirement for additional revenue support to maintain service levels, or a reduction in operating cost by reducing service provision (and staffing levels).	Reduction in income from Car Parks, Markets, Trade and Bulky waste collection along with countryside site and pitch lettings would require either additional funding from other sources, or an actual reduction of service level following reductions in staffing levels.	High	Services at risk of income reductions, are where practical, being actively marketed.	High

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
Risk Owner: Head of People, Performance and Partnerships					
141	The Council does not provide effective community leadership and engagement opportunities leading to the reduced inclusion of key sections of the community.	Increased Community tensions Public dissatisfaction Potential legal challenges in respect of diversity and equality Inequality of service delivery	High	Trained Managers Equalities steering group Equalities direction of travel statement outlining where we are and what we need to do to achieve level three.	Medium
147	Arrangements and procedures are insufficiently robust or managed and result in harm to a child or vulnerable people.	Accusation of inappropriate behaviour relating to members of the public and in particular young persons Adverse publicity Legal implications Potential adverse impact on service provision if all CRB checks are not carried out before employment commences	High	CRB checks undertaken on potential employees for all identified posts, prior to employment Lead child protection officer in post.	Medium
Risk Owner: Head of Planning Services					
152	Economic downturn and the related potential shortfall in anticipated developer activity due to reduced market liquidity and availability of credit undermines the delivery of new homes, new employment opportunities and community facilities.	Potential reductions in planning fee income, housing delivery related grant awards and S106 contributions may impact upon service delivery/outcomes.	High	None identified	High

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
Risk Area : Leisure Services					
156	Delegated Funding Arrangements to schools potentially reduce use of leisure centres resulting in a financial shortfall.	School have funding delegated from County. If they choose not to spend that funding with Leisure Centres then there is a likelihood of income targets not being reached - although public will take the place of school time if required.	High	Timetables are submitted by schools at the earliest opportunity.	Low
159	Economic downturn and potential fall in participation levels leads to a reduction in income at all Leisure Centres.	Reduced Income. Failure to meet targets. Reduction in provision of activity sessions and or facilities. Staff losses. Loss of business opportunity both now and in the future.	High	Monthly monitoring of income and admissions.	Medium
160	Exceptionally inclement weather causes extended closure of outdoor facilities.	Reduced income. Failure to meet targets. Reduced footfall to both indoor and outdoor facilities.	High	Regular monitoring of weather conditions Regular remedial action to clear snow and ice. Regular remedial action to ensure drainage is maintained	Medium

New Risks Identified

No	Risk	Cause & Effect	Inherent Risk	Existing Controls	Residual Risk
161	Adverse Effects on Participation and Income as Result of Swine Flu Pandemic.	Over reaction of public Loss of income through decreased attendance Loss of staff through sickness Changes of Government advice	High	Implementing Government recommendations. Gel and wipes introduced. Monthly monitoring of income and admissions.	High
Risk Area : New Headquarters and Other Accommodation Project					
145	Loss of access to or loss of physical structure of all or part of Pathfinder House following a significant event - fire, flood, act or omission by a third party.	Fire, flood, terrorist action, disruption to traffic on the ring road or the A14 or other civil emergency prevents/restricts access to Pathfinder House resulting in disruption to Council services and/or injury to employees.	Very High	Remotely monitored fire and intruder alarms ensure that emergency services are mobilised expeditiously. Buildings and business interruption insurance maintained. Business Continuity Plan	Medium

Risks Deleted

No	Risk
Risk Owner: COMT	
13	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.
Risk Owner: Head of Democratic and Central Services	
124	Loss of land charges revenue to personal search companies.
Risk Owner: Head of Information Management	
138	Insufficient access controls to Council Buildings leading to the loss of Council assets including information/data.
Risk Owner: Head of Law, Property and Governance	
76	Insufficient review of proposals to Members leading to ineffective, inappropriate or ultra vires decisions, resulting in additional costs or loss of reputation.

Risks Amended

No	Risk	Inherent Risk	Residual Risk		Reason	
			From	To		
Risk Owner: COMT						
1	The Council is not accurate in its assessment of the Governments capping criteria resulting in the Council being capped /setting Council Tax at a figure significantly below the capping level resulting in temp or permanent service reductions.	Very High		High		The inherent risk levels for these three risks have all been reduced from 'very high' to 'high', following changes to the risk management strategy in December 2008.
9	A civil emergency occurs that affects more than 2000 people leading to the Council's rest centre provision and support proving inadequate		High		High	
11	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.		High		High	
Risk Owner: Head of Environmental and Community Health Services						
134	Failure to provide statutory duty re welfare of stray dogs.	High		High		Additional control - new contract negotiated with kennels.
			High		Medium	
Risk Owner: Head of Financial Services						
24	Estimates made as part of the budget setting process are incorrect, requiring service budgets to be reduced and consequently some services in an unplanned way.	High		High		The inherent risk level has been increased following changes to the risk management strategy in December 2008.
		Very High			Medium	

Risks Amended

No	Risk	Inherent Risk	Residual Risk		Reason
			From	To	
65	Council employees make poor procurement decisions resulting in increased costs of goods and services.	High	Low		Increase in residual risk due to controls not acting effectively.
		High		High	
Risk Owner: Head of Information Management					
25	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 (e.g. during a flu pandemic).	Very High	Medium		The effects arising should the risk occur have been reviewed, leading to the increase in the residual risk.
		Very High		High	
Risk Owner: Head of Law, Property & Governance					
50	Poor management of Council owned industrial / commercial properties leading to the loss of development opportunities and reducing financial returns.	High	Low		Additional control introduced. Residual risk increased due to the reducing financial returns.
		High		High	

'Very High' Residual Risks

No	Risk
Risk Owner: Chief Officers' Management Team	
130	Inability to identify sufficient new income or expenditure reductions to achieve spending adjustment targets included in the MTP over the coming three years.
Risk Owner: Head of Environmental Management	
154	Lack of staff and funds mean failure to deliver expanding environmental agenda.
Risk Owner: Head of Financial Services	
47	Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected service cuts.
Risk Owner: Head of Housing Services	
148	Increased homelessness and applicants on the housing register due to imminent changes to the local housing allowances (housing benefits).
Risk Owner: Head of Information Management	
15	IICT Security is breached causing both the loss of data and a loss of confidence in the integrity of the data being held.
58	Information or data is lost leading to an inability to provide an appropriate service, litigation against the Council and a failure to respond to requests for information.
Risk Owner: Head of Planning Services	
104	Delays to the construction of the new A14 may significantly reduce the amount of new development land that becomes available for housing and other developments, leading to a failure to achieve the longer term development/regeneration strategy for Huntingdon and in particular Huntingdon Town Centre, thereby potentially undermining the vitality and viability of the local economy and causing significant problems in term of the Councils ability to deliver new housing, commercial and retail developments and to resist inappropriate planning proposals.

**INTERNAL AUDIT SERVICE:
ANNUAL AUDIT REPORT
(Report by the Audit & Risk Manager)**

1. Purpose

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

2. Assurance

- 2.1 In accordance with the CIPFA Code of Audit Practice for Internal Audit in the United Kingdom, the Internal Audit Manager is required to provide an annual opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes (i.e. the system of internal control) based upon the work carried out by the Internal Audit section during the relevant period.
- 2.2 In forming this opinion the assurance given for each audit, together with the review of sample checking of agreed audit actions (that have been marked as being completed in the audit actions database by Heads of Service) are taken into account.

Audit Opinion

It is my opinion, based upon the internal audit work completed in the 12 month period ending 31 August 2009, 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
Audit & Risk Manager

September 2009

- 2.3 Details of the audit work that support the annual audit opinion are listed in Annex A together with a summary of the significant control issues identified. One of these issues refers to breaches to the Code of Procurement.

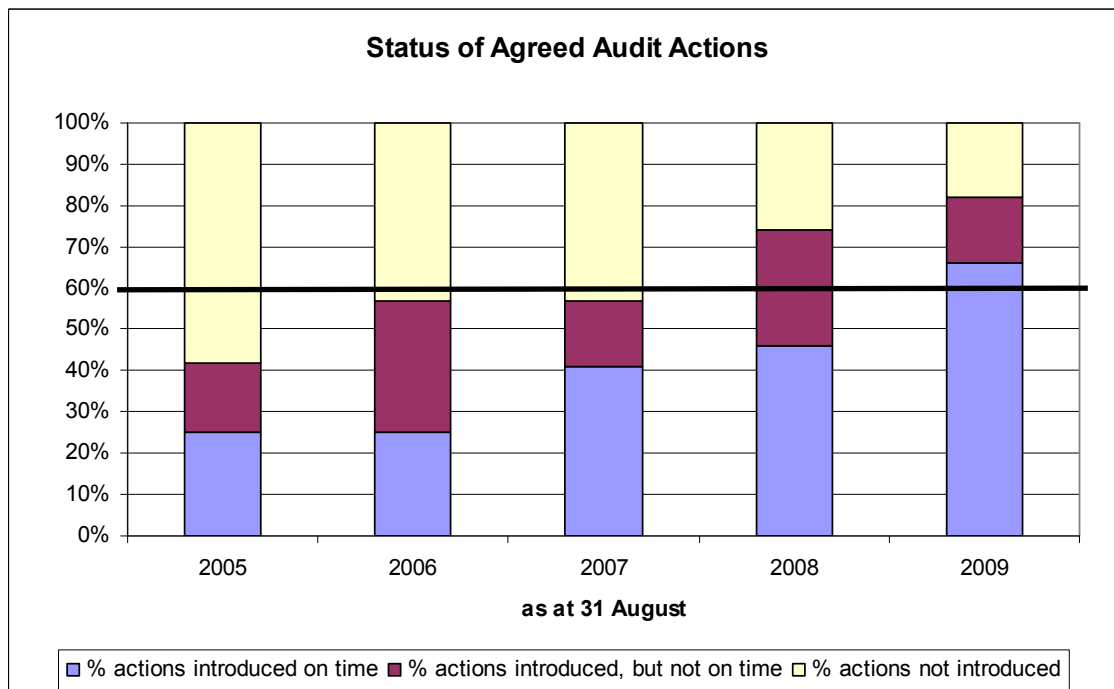
3. Delivery of Audit Plan

- 3.1 Internal Audit has had no constraints placed upon them in the way in which they deliver the audit plan; they have been free to determine the review areas and the methodology used.
- 3.2 The internal audit plan, approved by the Director of Commerce & Technology, contained 31 audit reviews. The audit plan is not a static document but needs to

be amended to reflect changing circumstances. A number of changes were made during the year. This resulted in 5 audits being omitted from the plan (local strategic partnerships, purchasing, delivery of the MTP, IT procurement, emergency planning), but replaced by reviews of data loss, employee checks and a number of contract procedure reviews.

4. Implementation of Agreed Actions

- 4.1 An on-line database holds details of all the actions that have been agreed by the service manager as part of an audit together with their intended introduction dates. Managers 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 reports that list actions outstanding, partially or fully completed.
- 4.2 A target has been included in the internal audit service plan that 60% of agreed actions should be implemented on time, based on a rolling 12 month approach. The target recognises that there will be occasions where service issues arise, after the dates for introducing actions had been agreed, that, quite properly, take priority over the introduction of the action.
- 4.3 The issue has previously been highlighted in the Corporate Governance Statement but the graph below shows how the speed of introduction has improved over the last few years and that the target has now been achieved. Annex B provides further detail.



- 4.4 There still remain a number of 'red' actions that have not yet been implemented. Annex C lists the current red actions that must be implemented to solve major control weaknesses.

5. Internal Audit's Performance

5.1 Information in respect of the performance of the internal audit service is attached at Annex D.

6. Recommendation

- 6.1 It is recommended that the Panel
- a) note the report;
 - b) ask the Director of Central Services/Commence & Technology to report at the December meeting on the steps taken to ensure that the Code of Procurement is being complied with; and
 - c) consider what action, if any, they wish to take regarding any of the other significant control issues identified in Annex A.

ACCESS TO INFORMATION ACT 1985

Internal Audit Reports

Internal Audit Performance Management Information

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

**Summary of Internal Audit Reports issued during the period
1 September 2008 to 31 August 2009**

Audit area	Level of assurance				Agreed action status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified has been accepted by the Manager ¹
Key Financial Systems							
National Non Domestic Rates	✓✓				---	---	
Council Tax	✓✓				0	1	
Creditors		✓			---	---	
Housing Benefits		✓			0	3	
Debtors		✓			0	6	
Integrated Payroll & HR system		✓			0	6	
Loans & Investments ²		✓			0	5	
Main Accounting System ²		✓			0	2	
Other systems reviews							
Payment Cards	✓✓				---	---	
Holiday Leave & Sickness Monitoring	✓✓				---	---	
Commercial Rents & Estate Management	✓✓				0	4	
Choice Based Lettings	✓✓				0	6	
Event Management		✓			---	---	
Site Security		✓			---	---	
IT Application Review – IDOX		✓			0	3	
Equipment Servicing		✓			0	3	
Discretionary Service Charges		✓			0	3	
Historic Building Grants		✓			0	4	
Value Added Tax		✓			0	5	
Leisure Centres		✓			0	10	
Grounds Maintenance		✓			1	5	
Management of Vacancies		✓			2	0	
Income Generation - External Grant Funding			✗		1	5	
Staff Development ²			✗		1	15	
Computer Audit							
e-payments		✓			1	9	
Email Controls		✓			0	1	
Helpdesk		✓			0	1	
Telecoms/VOiP contract ²		✓			0	7	
IT Security		✓			0	14	
Project Management			✗		1	5	
ICT Strategy			✗		2	4	
Business Continuity & Disaster Recovery			✗		4	2	
Network Infrastructure ²			✗		3	13	

¹ There are occasions when a risk identified during an audit is acknowledged and accepted by a Manager and they decide that no further action is required. The right hand column of this table records any such instances.

² Draft report issued as at 31 August 2009.

All the audit reports listed in the table above can be accessed by Members via the Internal Audit intranet site.

Code of Procurement

There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. These include:

- Non compliance with the EU procurement regulations
- Awarding further jobs to contractors who were initially appointed without competition
- Obtaining only a single tender where competition could have been achieved
- No proper quotation opening records
- Tender evaluation processes not being recorded
- Non-standard contract terms and conditions being used without adequate consideration and challenge
- The appointment of sub-contractors without competition
- Not retaining documentation on which tenders were based and evaluated

The process being used for a contract which was shortly due to be tendered, was found not to be in compliance with the Code. The procedure was stopped and the provisions of the Code applied.

Heads of Service have been asked to self-assess a number of contracts so that the scale of the problem could be quickly identified. This review, which looked at 45 contracts, also identified a number of issues with non compliance of the Code along the lines listed above and these are currently being reviewed – the latest information will be reported to the meeting.

The Code of Procurement is one of the cornerstones of the corporate governance framework. It is reviewed as part of the Constitution and changes to it are considered and discussed by this Panel prior to their recommendation to full Council. Whilst there is no evidence of collusion or wrong doing between contractors and Officers, and non should be implied, the Code exists in part, as mitigation against such a risk.

The Panel should seek reassurance that steps will be taken to improve the level of compliance with the provisions of the Code of Procurement and so it is recommended that the Panel request that the Director of Central Services/Commerce & Technology to report to a future meeting, on the steps that have been taken.

Data encryption

As previously reported to the Panel, a burglary took place earlier this year at Pathfinder House and 15 laptops were stolen. A review of the circumstances of the theft and the consequences for the Council in respect of data loss has been completed. A report was prepared by the Audit Manager for the Data Protection User Group, which contained a number of recommendations for improving data, information and building security. Whilst the majority of the recommendations have been introduced, one of the most important, regarding the introduction of data encryption is still outstanding.

A pilot encryption project has been carried out in IMD and the Information Manager expects that encryption of laptops will be completed by the end of the month and all portable IT devices will be controlled/encrypted by February 2010. Until encryption has been introduced there remains the risks that personal data may be compromised if a laptop or data stick is lost or stolen. Even with encryption in place, the Council's policy of not storing confidential/personal data on portable IT devices is likely to remain as encryption is not infallible and can be broken given sufficient time.

Fraud issues

In addition to delivery of the audit plan a number of fraud based reviews have been undertaken – preparing and reviewing information submitted to the national fraud awareness data matching initiative, fraud/ethical awareness survey and fraud risk assessment.

The Council also referred a contract that it awarded to the Office of Government Commerce and Office of Fair Trading as it was felt that pricing collusion may have occurred. These investigations have been finalised but were inconclusive.

A review of the procedures followed for the termination of a contract have also been reviewed. This concluded that the anti-fraud and corruption strategy needs to be amended to allow some discretion to Senior Officers on matters that need to be referred to the Police (subject to them informing the Panel of any matters they decide not to refer). Amendments will be proposed to a future meeting of the Panel.

The Payroll report issued in December 2007 included an agreed action that “following the completion of the updated ‘post to post’ reporting at the end of the financial year by the Head of Service, managers will receive a monthly listing of all employees managed by them, to check and confirm” This action was suggested and agreed following changes to staff absence monitoring. ‘Post to post’ reporting has still to be completed and until it is introduced there remains a fundamental weakness in the payroll process. A review has been completed therefore to verify employees on the payroll.

Guidance has also been provided on an ad-hoc basis on a wide variety of control and fraud issues.

Issues outstanding from previous years

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

The right hand column of the table shows a revised assurance opinion, based upon the action that has been taken by the manager and evidence from the follow-up work that has been completed. The revised opinion is only a guide to the potential improvement that would be expected, if the audit was repeated and all other system controls remained effective.

Original level assurance	Agreed Action Status		Audit area and follow-up findings	'Potential' level of assurance
	Red	Amber		
<i>Little</i>	1	1	Partnership Working Both actions have been introduced.	<i>Adequate</i>
<i>Little</i>	3	3	Management of Trees & Plants Two of the 3 red actions have been introduced. See information in Annex D re the remaining action. One amber action has not been introduced.	<i>Limited</i>
<i>Limited</i>	4	2	Business Continuity & Disaster Recovery All the actions have been introduced with the exception of one ‘red’ action. See information in Annex D.	<i>Adequate</i>

Original level assurance	Agreed Action Status		Audit area and follow-up findings	'Potential' level of assurance
	Red	Amber		
<i>Limited</i>	3	2	Safeguarding Data All the actions (2 red, one amber) that were required to be introduced by 31 August have been.	<i>Adequate</i>
<i>Limited</i>	2	4	ICT Strategy All 5 actions (2 red, 3 amber) required to be introduced by 31 August, have been introduced.	<i>Adequate</i>
<i>Limited</i>	1	6	IT Project Management All 3 actions required to be introduced by 31 August, including the red action, have been introduced.	<i>Adequate</i>
<i>Limited</i>	1	5	Electoral Registration All the actions have been introduced.	<i>Adequate</i>
<i>Limited</i>	1	3	Management of Ill Health & Sickness All the actions (1 red, two amber) that were required to be introduced by 31 August have been.	<i>Adequate</i>
<i>Limited</i>	0	3	Controlling Assets All the actions have been introduced	<i>Adequate</i>
<i>Limited</i>	4	18	Monitoring of Recruitment to 'High Risk' posts Three of the 4 red actions have not been introduced. Of the amber actions, 3 have been fully implemented. The overall assurance opinion has not changed.	<i>Limited</i>
<i>Limited</i>	1	0	Internet Monitoring The red action has not been introduced. See comment below table.	<i>Limited</i>

The 2008 annual report also specifically highlighted two audit areas (Internet Monitoring and Post Contract Reporting) where 'red' actions from previous years audits remained outstanding. No substantive progress has been made in either area.

- Internet Monitoring – audit completed in January 2008 contained only one red action. This was almost identical to the action that was agreed in November 2005, but not introduced. “There should be a formal [internet usage] review system in place along with prescribed actions to be taken when cases of internet abuse are discovered. Regular reports of ‘Top 20 Users’ should be sent to relevant managers on a monthly basis. These managers should then provide assurance to the Head of HR that the usage is appropriate”.
- Post Contract Reporting – audit completed in December 2007. The audit found that there was a lack of clarity within MTP bids on the detailed benefits that were expected to be gained from investments and that no post assessment/implementation review process was in place. Actions were first agreed in 2002/03 with regard to the introduction of a post assessment/implementation process and have subsequently been made on three further occasions. The Head of IMD in July 2006 agreed that post implementation reviews would be reported to Project Boards and in addition, where a project is progressed as a result of an MTP bid the post implementation review will also be reported to Heads of Service and, where appropriate, Members.

REMINDER

Substantial Assurance	✓✓	<i>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.</i>
Adequate Assurance	✓	<i>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.</i>
Limited Assurance	✗	<i>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.</i>
Little Assurance	✗✗	<i>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.</i>

**Implementation of Agreed Actions
Summary of the Actions Database as at 31 August 2009**

	Status of Action						TOTAL
	Introduced on time		Introduced Late		Not introduced		
Red Action	20		0		6		26
Amber Action	78		24		19		121
Total	98		24		25		147
% age	66%		16%		18%		
	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	
Central Services	6	9	0	17	4	4	40
Commerce & Technology	11	57	0	6	1	5	80
Operational Services	3	12	0	1	1	10	27
Total	20	78	0	24	6	19	147

A sample of actions that have been reported as being completed are checked annually to see that the action introduced sufficiently addresses the risk that has been identified.

If during the review of actions introduced it is found that the action taken does not fully deal with the risk then the action that has been taken to address the risk identified is discussed with the appropriate manager and if necessary, changes to the database are made to reflect the actual position.

It is pleasing to report that the review completed this year identified only minor concerns. These have been discussed with the appropriate manager and the database amended as necessary.

'Red' Actions Outstanding

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position ¹
Monitoring of Recruitment to High Risk Posts	Head of People, Performance & Partnerships	A standard framework / approach for risk assessing Council employees will be established. (This will involve the relevant line manager and the Safeguarding Champion, and require the results of the risk assessment to be documented in each case). The results of the risk assessment will inform the programme of CRB checks carried out for staff.	30/04/2009	This is outstanding and has potentially been overtaken/delayed by the introduction of the new vetting and barring scheme.
Monitoring of Recruitment to High Risk Posts	Head of People, Performance & Partnerships	<p>An in-depth risk assessment will be undertaken to identify the depth of CRB checking required for Countryside Centres volunteers, with a view to carrying out checks to the necessary level, where appropriate. Reminders will be issued to all relevant departments and centres highlighting the CRB and Safeguarding policies and their importance etc.</p> <p>A list of all volunteers will be maintained, which includes an assessment of their involvement of working with children and confirmation that CRB clearance has been obtained.</p>	30/06/2009	This is outstanding and has potentially been overtaken/delayed by the introduction of the new vetting and barring scheme.
Business Continuity and Disaster Recovery	Head of Democratic and Central Services	Service Recovery Plan will be updated to reflect the most recent risk assessment conducted. Further work is required on prioritisation of services.	31/12/2008	Work is nearing completion on prioritisation of services. Service Recovery Plan has been updated.

¹ This is the position as at 1 September.

'Red' Actions Outstanding

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position ¹
Management of Trees & Plants	Head of Operations	The Council will not take ownership of any parcel of land until all boundaries have been contractually agreed, along with their maintenance responsibilities and these have been agreed in writing by the Head of Operations (or his designee).	30/04/2009	As part of the adoption procedure, boundary ownerships are checked. Since introduction no sites have come forward for adoption.

Internal Audit Performance

1. External audit view of internal audit

Target: Adequate or better
Achieved: Satisfied

- 1.1 The external auditor continues to be satisfied with the work of the internal audit service.

2. Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.
Achieved: 12 months to August 2009 - 100%

- 2.1 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 Head of Financial Services has also undertaken his annual customer satisfaction survey with senior managers. The April 2009 figure showed 88% (83% previous year) of managers felt audit provided a good or very good service.

3. Introduction of Agreed Actions

- 3.1 See paragraph 4 of the main report.

4. Service delivery targets

Target: 80% or more of service delivery targets achieved.
Achieved: 12 months to August 2009 – 70%

- 4.1 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
- 4.2 Performance indicators are prepared monthly. The targets are also reflected in staff's 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.

4.3 Performance at 31 August 2009 for each of the target areas is shown below.

	<u>Target</u>	<u>Overall</u>	<u>Excl. Computer Audit</u>
Complete audit fieldwork by the date stated on the audit brief	75%	↓ 74%	↓ 73%
Issue draft audit reports within 15 working days of completing fieldwork	90%	↓ 64%	↓ 74%
Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report	75%	↓ 64%	↑ 82%
Issue final audit report within 5 working days of receiving full response	90%	↓ 81%	↑ 100%
Overall	80%	↓ 70%	↑ 82%

4.4 The overall service delivery targets include all audit reviews undertaken by both internal audit staff and the external computer auditors. The non achievement of the targets is disappointing. The reasons why the targets have not been achieved by the computer auditors is known and steps have been taken to improve performance over the next 12 months.

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ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

(Report by the Audit & Risk Manager)

1. INTRODUCTION

- 1.1 The Accounts & Audit Regulations 2003 (A&AR) require the Council:
- to undertake an annual review of the effectiveness of its system of internal audit;
 - to consider the findings of that review when undertaking the annual review of the effectiveness of its system of internal control; and
 - consider the findings of the review of its systems of internal control and then approve a statement on internal control
- 1.2 The purpose of this report is to inform the Panel of the outcome of the review of the effectiveness of its system of internal audit.

2. SYSTEM OF INTERNAL AUDIT

- 2.1 The Panel at its March 2009 meeting accepted the CIPFA definition of the system of internal audit that was published in January 2009.

The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

- 2.2 CIPFA are also of the view that the review of the effectiveness of the system of internal audit should examine, as a minimum, the following key elements:
- The process by which the control environment and key controls have been identified - the organisation's risk management system;
 - The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers;
 - The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the audit committee or its equivalent and implemented by management; and
 - The operation of the audit committee and the internal audit function to current codes and standards.
- 2.3 The Council's Assurance Framework, which was adopted by the Panel in March 2008, explained how the risks recorded in the risk register were being mapped to the Council's strategic objectives and that details of the sources of assurance were being identified and recorded in the register. As the risk management process is considered by CIPFA to be key to the review of effectiveness, the work that has already been completed in this area has been used as a prime source to support the review.
- 2.4 Responses to the four elements of the system of internal audit, listed in paragraph 2.2 above, are contained in Annex A.

3. CONCLUSION

- 3.1 The Audit & Risk Manager has reviewed the assurance entries. Like all systems, these only provide a snap-shot in time and do not guarantee that the controls are continuing to operate. A number of gaps in assurance have been identified and these areas will be reviewed. These are not considered to be sufficient to affect the validity of the overall process.
- 3.2 The Panel should be satisfied that the risk management process is working as described within the risk management strategy; that the process by which assurance has been gained over controls is effective and that evidence is readily available to show that the controls are operating as intended.
- 3.3 The Panel when considering the overall effectiveness of its system of internal audit also need to take into account the Audit & Risk Manager's annual opinion. This is dealt with in the agenda report "Internal Audit Service Annual Audit Report".

4. FUTURE YEARS

- 4.1 The risk register and the assurance provided by managers are one of the key drivers in the development of the strategic and annual audit plans. Undertaking the review of the effectiveness of the system of internal audit in the manner outlined above and supported within Annex A has raised a number of issues about the links between the Audit & Risk Manager's annual report and opinion, this report and the wider review of the system of governance.
- 4.2 A review is to be undertaken to see if these separate pieces of work can be amalgamated for overall assurance providing and reporting purposes, whilst still satisfying the requirements of the A&AR. Any changes to the current systems will be reported to a future meeting of the Panel.

5. RECOMMENDATION

The Panel is recommended to note the report and the overall conclusion on the effectiveness of its system of internal audit.

BACKGROUND INFORMATION

Accounts & Audit Regulations 2003
The Risk Management Strategy and Register

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

Risk Register : Summary of Assurance

Key elements of the system of internal audit	Response
<p>a) The process by which the control environment and key controls have been identified - <i>the Council's risk management system.</i></p>	<p>The Council's risk management strategy explains the Council's risk management system. In summary, Managers are required to identify those risks that will hinder their achievement of the Council's Aims and Objectives. This is done in a structured way against the key activities within the balanced scorecard and supporting performance management information together with longer term horizon scanning. Once a risk has been identified, it is recorded on the risk register and evaluated in terms of likelihood and severity. Controls (if available) to reduce the likelihood or severity of adverse events are identified and recorded and the risk re-evaluated. The evidence available to support the controls is also identified and evaluated. Managers review all their register entries each quarter.</p>
<p>b) The process by which assurance has been gained over controls – <i>its coverage of the key controls and key assurance providers.</i></p>	<p>Every six months Managers are required to review the controls entered on the register and give a view (the level of assurance) as to how effective those controls are in managing the risk. The managers view can be either self-assurance or obtained from a third party (internal/external audit or similar review body). A summary of assurance levels as at 31 August, is provided within the table below.</p> <p>All the risks in the register are covered by the internal audit strategic plan and the inherent/residual risk, controls and level of assurance considered when the risk area reviewed. The annual audit plan refers to specific risk register entries. At the conclusion of an internal audit review, any changes to entries on the risk register are discussed with the appropriate Manager and if necessary, changes are made to risk register entries.</p>
<p>c) The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the audit committee or its equivalent and implemented by management.</p>	<p>This Panel considers all external audit reports. It has access via the intranet to all internal audit reports. Reports are submitted twice a year to the Panel by the Internal Audit & Risk Manager that highlight significant concerns and where appropriate, management responses. Managers progress in implementing agreed audit actions is also reported. Poor levels of performance in this area have been previously commented upon by the Panel and the target is now regularly exceeded. The Corporate Governance Panel seek assurance, as part of their consideration of the annual governance statement, that controls are operating effectively. This assurance is obtained primarily from the work of internal and external audit.</p> <p>Actions are prepared of issues identified in the annual governance review and regularly reported to the Panel.</p>

<p>d) The operation of the audit committee and the internal audit function to current codes and standards.</p>	<p>The Council established the Corporate Governance Panel in 2004. its terms of reference were reviewed earlier in the year, at the Panel's own request, and been amended to align with current best practice. The Panel undertook a self assessment exercise in August 2008 (based upon CIPFA best practice documentation supplemented by best practice with the NHS and private sectors). The results of this process were summarised by the Head of Financial Services and discussed at length at the September 2008 Panel meeting. The self assessment was attended by the External Auditor who felt that the Panel at that time, was generally effective and open to changes that improved assurance and the governance of the Council. The Panel felt that an annual review was not necessary and agreed to a further review in 2011 prior to the approval of the governance statement. Arising from the self-assessment an action plan was agreed, and this is reported in a separate report on the agenda dealing with the review of the effectiveness of the Corporate Governance Panel.</p> <p>The internal audit service undertook a self-assessment review against the CIPFA Code of Practice for Internal Audit in 2007 and 2008. The June 2008 review, was supplemented by a peer review by colleagues from Cambridgeshire County Council. Panel noted the general effectiveness of the service in meeting the requirements of the Code. Minor issues were identified for improvement. The external auditors also assessed the internal audit service as compliant with the Code in their 2007/08 review. In 2008/09 they reviewed a number of internal audit files in respect of the Council's key financial systems and raised no issues from these reviews. They reported in their "Annual report to those Charged with Governance 2008/09" (which is discussed in a separate report on the agenda) that "We have reviewed the work of Internal Audit and concluded that the scope and conduct of the testing was satisfactory and we were able to rely on internal audit in understanding key financial systems of the Authority. We have therefore taken assurance from the work of internal audit to support our responsibility in understanding material systems used to prepare the statement of accounts".</p> <p>Due to changes to the review of the effectiveness of the system of internal audit approved by the Panel in March this year, Panel agreed that the next review of Internal Audit against the Code of Audit Practice be conducted in 2011.</p>
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Information Table - Assurance on Key Controls

The following narrative supports the detail contained in the Information Table below.

1. When a risk is entered into the register, the significant controls to manage that risk are also considered and entered. Managers are also required to identify the assurance source or the evidence (e.g. reports, strategies and policies, minutes of meetings etc that demonstrate that the key controls are in place and operating effectively) that support the control.
2. Every six months Managers are required to confirm that the assurance source/evidence to support the control is operating as expected. They enter one of four levels of assurance (substantial, adequate, limited or none) against the assurance source in the risk register. If the 'none' assurance column contains entries, it means that no entry has been made to the register.
3. If a third party has reviewed the assurance source/evidence and accepted that it addresses the control, then this assurance will also be entered into the register. (This is shown in the table below as "Other" assurance source). This acts as 'positive' assurance that the Manager has evidence available to demonstrate that they are managing the risk as intended.
4. Assurance shortfall. If no assurance opinion has been provided against a control, or there is uncertainty that the controls are operating as intended (3 areas), the assurance shortfall column will be completed by the Internal Audit & Risk Manager based on entries made to the risk register by a Manager. An entry in this column means that there is a need to address a gap in assurance and alerts both Managers and the Panel to that fact.
5. The information in the table also cross refers risks to those areas that Panel require specific assurance on. The table also contains both corporate and operational risks. It is proposed that future tables, only detail corporate risks and operational risks that have a 'very high' inherent score. This will allow the Panel to focus on the more significant risk areas. COMT will continue to receive details of all operational risks.

Information Table - Assurance on Key Controls

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
A clean, 'green' and attractive place														
Delivery of environmental agenda	154	High	2	High	2	1	1		2		a		✓	
Climate change	146	High	2	High	1	2			1		a		✓	
Collection of household waste	11	Medium	2	Medium	2				2		g			✓
Orphaned land fill sites	86	Medium	2	Medium	1	1			2				✓	
Inadequate environmental policy	30	Medium	5	Medium	1	3	1		5		a		✓	
Reduced income : loss of services	157	Medium	1	Medium	1				1		d		✓	
Inadequate planning policy	40	Medium	7	Medium	7				7		g		✓	
Challenge to development decisions	43	Medium	6	Medium	6				5	1	g			✓
Water cycle study	131	Medium	1	Medium	1			1	1				✓	
Inadequate maintenance of trees	19	Medium	2	Medium	2				2					✓
A strong, local economy														
Sustained economic growth	53	Medium	3	Medium	2	1			3		a			✓
Developing communities sustainably														
Delays to A14	104	High	1	High	1				1					✓
Changes to house prices	52	High	2	High		2			2					✓
Management of industrial/commercial properties	50	Medium	7	Medium	6	1			7		a			✓
Economic downturn	152	Medium	---	Medium							a			✓

Substantial: Controls are applied continuously or with minor lapses
Adequate: Controls are applied but with some lapses
Limited: Significant breakdown in the application of controls
None : No Assurance Given

Information Table - Assurance on Key Controls

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
Local transport issues	59	Orange	1	Yellow	1	1			1	a		✓		
Healthy Living														
Civil emergency	9	Orange	7	Orange	1	5	1		7				✓	
Localised flooding	7	Orange	2	Orange	1	1			2				✓	
A Leisure Centre is closed	20	Orange	6	Yellow	5	2			7				✓	
Customer expectations not met	55	Orange	6	Yellow	2	4			6			✓		
Special events	23	Orange	4	Green	1	3			4				✓	
Schools reduce use of Leisure Centres	156	Orange	1	Green	1				1				✓	
Housing that meets individuals' needs														
Increased homelessness	148	Red	---	Red									✓	
Increasing Housing Benefit claims	143	Red	1	Orange	1	1			1	h			✓	
Failure to meet Government Connect timetable	155	Red	1	Yellow	1	1			1	c			✓	
Deficiencies in Housing policy	51	Orange	3	Yellow	1	1	1			a	2		✓	
Safe, vibrant and inclusive communities														
Licensing ineffective	45	Orange	9	Yellow	9				9				✓	
Stray dogs	134	Orange	1	Yellow		1			1				✓	
Social exclusion	141	Orange	1	Yellow	1				1	a			✓	
CRB checking	22	Orange	6	Yellow	5	1			6	g			✓	

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Information Table - Assurance on Key Controls

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					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
To improve our systems and practices														
ICT security breached	15		8		4	4			8		g			✓
Information or data is lost	58		16		3	10	3		13	3	g			✓
Service recovery/business continuity ineffective	6		3		2	1			3		g			✓
Housing Benefit service delivery issues	27		7		5	2			7		g			✓
Pandemic flu outbreak	162		3				3				h			✓
Unencrypted data is sent externally	122		1		1				1		g		✓	
Strict Government Connect rules restrict flexibility	163		1		1				1					✓
Ineffective site security	32		3			3			1	2	g			✓
Increasing insurance premiums	126		3			2	1		3					✓
Partnerships are not effective	74		3		1	2			3		k		✓	
Theft	140		5		3				3		g			✓
Fraud occurs	75		6		2	4			6		g			✓
New HQ not delivered on time/budget	5		5		5				5					✓
Corporate Objectives not achieved	12		3			3			2	1	a		✓	
Loss of access/structure: Pathfinder House	145		3		2		1		2		g			✓
Inadequate governance process	37		6		5	1			6		b			✓
Project management ineffective	48		2		1	1			2		e			✓
Code of Procurement not followed	39		4		2	1	1		4		b			✓
Poor procurement decisions	65		4		1	2	1		4		g			✓
IT systems developed without adequate controls	135		---										✓	

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Information Table - Assurance on Key Controls

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
Inappropriate legal advice	33	Orange	7	Orange	5	2			7		c			✓
Workload planning	49	Orange	5	Orange	5				5					✓
Data is mismanaged	60	Orange	5	Yellow	1	3	1		5		e			✓
Call Centre inefficiencies	102	Orange	2	Yellow	1	1			2					✓
Electoral registration process deficient	29	Orange	1	Yellow	1				1					✓
Feedback process not robust	61	Orange	3	Yellow		2	1		2		g			✓
Inadequate financial advice	34	Orange	7	Yellow	3	1			4		d			✓
Inadequate risk management	38	Orange	5	Yellow	4	1			4	1	f			✓
Web strategy not delivered	150	Orange	3	Yellow	1	1	1		3					✓
MyCouncil over-engineered	151	Orange	2	Yellow	1	1			2					✓
Lost contract and property records	158	Orange	3	Yellow	2	1			3		g			✓
Poor communication with 'stakeholders'	56	Orange	3	Yellow	1	2			3				✓	✓
Safeguarding children and vulnerable adults	147	Orange	2	Yellow		2			2		g			✓
Internal Audit doesn't meet Code of Audit Practice	167	Orange	4	Green	3	1			4		j			✓
Fol requests not properly handled	123	Orange	3	Green		3			3		e		✓	
Inaccurate land change information	69	Orange	3	Green	1	2			3					✓
Internal Audit plan not delivered	166	Yellow	4	Green	3	1			4		j			✓
To learn and develop														
Reliance on key IT staff	25	Red	7	Orange	4	2		1	6		g			✓
Staff training & development	2	Red	6	Yellow		1	5		1					✓

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None : No Assurance Given

Information Table - Assurance on Key Controls

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
Bailiff contract	31	High	3	High	1	2			3					✓
Death of a member of the public/employee	16	High	4	High	2	2			4		g			✓
IT project management	72	High	5	High	5				5		g			✓
Inadequate maintenance of plant & equipment	57	High	3	High		3			3		g			✓
Staff recruitment	3	High	4	High			4				g			✓
Discrimination/equality	54	High	5	High	4	1			5					✓
Health & safety in Leisure Centres	17	High	10	High	8	2			10		g			✓
Ineffective review of Housing Ben. assessments	64	High	8	High	4		4			4	c			✓
Inadequate health & safety training	14	High	6	High	2	4			6		g			✓
Identify, assess and respond to legislation	73	High	4	High	2	1		1	3		c			✓
To maintain sound finances														
Failure to achieve financial savings	130	High	2	High	1	1			2		d			✓
Investment decisions not appropriate	47	High	9	High	4	5			9		d			✓
Increase in Council Tax arrears	142	High	3	High	2	1			3		d			✓
Reduced land charges income	153	High	1	High		1			1					
Budget estimates are inaccurate	24	High	3	High	2	1			3		d			✓
Council Tax capping	1	High	1	High	1				1		d			✓
Reduced footfall in Leisure Cntr due to pandemic	161	High	2	High		2			2					✓
Ineffective building control service	44	High	6	High	3	2		1	5					
Fraud is undetected	144	High	2	High	2				1	1	g			

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Adequate: Controls are applied but with some lapses
Limited: Significant breakdown in the application of controls
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Information Table - Assurance on Key Controls

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
Ineffective budget scrutiny	42		3		3				3		d			
Insufficient external funding obtained	71		3		1	1	1		2					✓
Leisure Centre joint agreements	18		1			1			1		k			✓
Failure to delivery capital plan	62		2			2			2		d			✓
Reduced Leisure Centre income	159		1			1			1					✓
Closure of outdoor facilities at Leisure Centre	160		1			1			1					✓
Council Tax not collected	67		3		2		1		1	1	d			✓

Substantial: Controls are applied continuously or with minor lapses
Adequate: Controls are applied but with some lapses
Limited: Significant breakdown in the application of controls
None : No Assurance Given

Information Table - Assurance on Key Controls

The following areas that Panel require specific assurance upon are cross referred to the table above under the column headed **Area of Panel Assurance**

- a. Delivery of the Council’s corporate objectives
- b. The effectiveness of the Constitution
- c. Ability to identify, assess and respond to legislation, meeting statutory obligations
- d. Effectiveness of financial management arrangements
- e. Robustness of the performance management system
- f. The effectiveness of the risk management strategy
- g. Robust systems of internal control & the effectiveness of key controls
- h. Actions plans to address significant weaknesses are prepared, acted & reported on
- j. Adequacy of the internal audit service
- k. Partnerships are efficient and effectively delivering service objectives

The risk assessment matrix.

Health & Safety risks are plotted against the smaller inset matrix.

Likelihood / Frequency	Almost Certain	5	Medium	High	Very High	Very High	Very High
	Likely	4	Medium	High	High	Very High	Very High
	Occasional	3	Low	Medium	High	High	Very High
	Unlikely	2	Low	Low	Medium	High	Very High
	Improbable	1	Low	Low	Medium	High	High
			1	2	3	4	5
			Trivial	Minor	Significant	Major	Critical
			Impact				

**GOVERNANCE STATEMENT
(Report by the Head of Law, Property & Governance)**

1. INTRODUCTION

- 1.1 The purpose of this report is to provide an opportunity for the Panel to review and endorse the Governance Statement on arrangements for the Council's corporate governance activities.

2. CODE OF GOVERNANCE

- 2.1 In its simplest form, Corporate Governance is ensuring that the Council is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner. It relates to both financial and non-financial matters.

- 2.2 In response to this, the Council has adopted a Code of Governance which sets out and describes the way in which it carries out its functions and complies with the principles of openness, integrity and accountability. These 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 in what we do as an organisation. The Code is consistent with the framework "Good Governance in Local Government" published by CIPFA/SOLACE and a copy is available at <http://www.huntsdc.gov.uk/Councils+and+Democracy/Council/Code+of+Corporate+Governance.htm> or on request from the Policy & Strategic Services Manager.

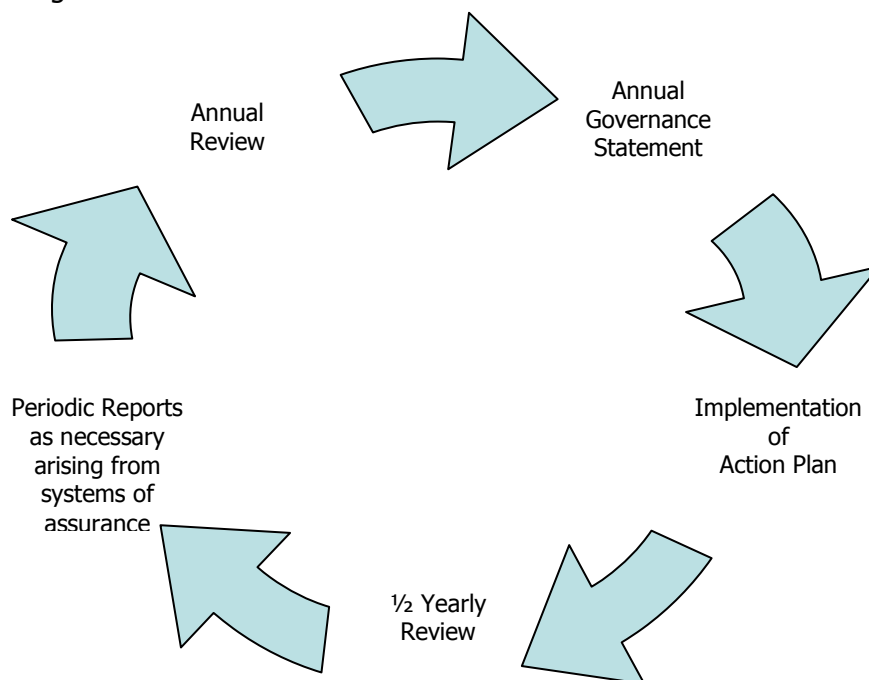
3. ASSURANCE FRAMEWORK

- 3.1 To provide assurance that the Council is meeting the requirements of the Code and delivering good governance, the Panel had put in place an annual cycle of review which includes –

- review of the effectiveness of the system of internal audit (agreed by this Panel on the 25 March 2009).
- review and endorsement of a Governance Statement, appended.
- implementation of an action plan associated with the Governance Statement;
- a half-yearly review of progress against the action plan;
- continued reference to systems and reports providing assurance and support for good governance; and
- an annual review of governance arrangements.

- 3.2 This cycle reflects good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and helps to ensure accountability and transparency for local people and other stakeholders, such as the Council's external

auditors and Government Inspectors. It is shown graphically in the diagram below —



- 3.3 During the last year the Panel has adopted a Governance Statement and associated action plan; undertaken a half-yearly review; and received periodic reports arising from the systems of assurance.

4. ANNUAL REVIEW AND GOVERNANCE STATEMENT

- 4.1 In accordance with the local Code, the assurance framework and current good practice, each year the Council carries out a review of governance arrangements. The purpose of the review is to conclude and re-start the cycle of review in accordance with the assurance framework – specifically to assess that governance arrangements are adequate and operating effectively and to identify action which is needed to ensure continuous improvement in effective governance.
- 4.2 The review comprises an analysis of the practical application of the core principles, supporting principles and specific requirements set out in the Council’s Code of Governance. This analysis reflects the work of managers responsible for the implementation of the Governance Code/framework (a full copy of the code is available upon request). In addition, the Chairman and Vice-Chairman of the Panel, together with the Executive Councillors with responsibility for financial and non-financial governance, (Councillors Rogers and Hansard) have been given an opportunity to take part in and contribute towards that annual review.
- 4.3 The review is informed by the Council improvement plan; relevant service managers; by internal reporting such as the Audit Manager’s Annual Report; and comments made by external auditors and/or

other inspectorates. It incorporates an assessment of action taken to address issues identified in the last Governance Statement.

- 4.4 The outcome of the review takes the form of a Governance Statement prepared on behalf of the Leader of the Council and the Chief Executive (Appended). It is expected that the Corporate Governance Panel should consider the Statement as part of their responsibilities, which would then be expected to be counter-signed by the Chairman of the Panel.
- 4.5 The Governance Statement has been prepared in accordance with the statutory requirement of the Accounts & Audit Regulations which require the Council to "conduct a review at least once a year of the effectiveness of its system of internal Audit" and the findings from that review considered as part of the consideration of the systems of governance "in accordance with proper practices".

5. CONCLUSIONS

- 5.1 The Governance Statement for 2009 reviews the Council's governance arrangements and their exercise during the preceding year. It details specific issues which were addressed and identifies other for future consideration. The Statement is an essential element in assuring proper governance practices in the conduct of the Council's business, in safeguarding the use of resources and in engendering confidence in the accountability and integrity of the Council on the part of local residents and other stakeholders.
- 5.2 Following a review of the effectiveness of the system of internal audit, the system is considered to be satisfactory and there are no significant omissions in the processes that have been introduced

6. RECOMMENDATION

- 6.1 The Panel is recommended to note the outcomes of governance arrangements; and
- 6.2 Endorse the Governance Statement for 2009 and to authorise the Chairman to countersign it.

BACKGROUND INFORMATION

The Council's Code of Corporate Governance
Review of the code, August 2009 – available from the Policy & Research Manager
Council Improvement plan - available from the Policy & Research Manager
System of Internal Audit
The Governance Statement, September 2008
The CIPFA/SOLACE framework "Good Governance in Local Government 2007"
The CIPFA Finance Advisory Network Annual Governance Statement – Rough Guide

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HUNTINGDONSHIRE DISTRICT COUNCIL

GOVERNANCE STATEMENT

Huntingdonshire District Council is responsible for ensuring that –

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

In carrying out these duties, Members and employees are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at <http://www.huntsdc.gov.uk/Councils+and+Democracy/Council/Code+of+Corporate+Governance.htm> and hard copies are available on request from the Policy & Strategic Services Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies 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 Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

- focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.
- Members and employees working together to achieve a common purpose with clearly defined functions and roles.
- promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- developing the capacity and capability of Members and employees to be effective.
- engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2009 and up to and including the date of approval of the statement of accounts.

The Council's powers and duties of Council, Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal Audit which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approve the annual statement in that respect.

In turn the Council's Head of Law, Property & Governance and 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
- reviewing and reporting 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 key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

1. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website at <http://www.huntsdc.gov.uk/NR/ronlyres/0C4046F2-C533-437B-B16A-C2BAE99C03C1/0/CommunityStrategy.pdf>. The Strategy was reviewed and re-adopted by the Council in September 2008. In addition the Council's Corporate Plan, "Growing Success", sets out our vision and our purpose in the context of the Community Strategy. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. In turn, both "Growing Our Communities" and "Growing Success" are supported by a series of Plans and policies to achieve the vision and aims for Huntingdonshire. These Plans are supported by a comprehensive performance management framework which monitors the achievement of targets and measures.

The Council's Communications & Marketing and Consultation & Engagement Strategies are used to promote and guide communications and engagement with local residents and to ensure that the vision and supporting plans are shared with local residents and other

stakeholders. Extensive consultation and engagement has been used to develop the plans and regular surveys are carried out to gauge satisfaction with the achievement of the vision.

2. Roles & responsibilities

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and local residents by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

A Member-led cross party review of the Council's democratic arrangements was undertaken in 2008/09 that evaluated the Council's performance since the adoption of the current structure, the implications of change necessitated by the Local Government and Public Involvement in Health Act 2007 and the emerging themes of strengthening local democracy in recent Government consultation documents and guidance.

The review concluded that the existing structure had worked well since its inception and the principles of the executive/scrutiny split had become embedded in the organisation. Nevertheless, the Council agreed various changes to promote local democracy and community engagement in the process, involving –

- a new look to Council meetings with headline debates, Cabinet 'white paper' proposals, monitoring of LAA performance, public question time and evening meetings;
- public consultation on a move to an executive leader in 2011;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;
- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IDeA Member Development Charter to enhance support for elected councillors.

Cabinet

Chaired by the Leader of the Council, the Cabinet has responsibility for all executive functions of the authority. Having moved to monthly evening meetings following the review of the democratic structure, the Cabinet is now better placed to consider reports and recommendations from Overview and Scrutiny Panels that meet earlier in the month.

Portfolios of executive responsibilities are allocated by the Leader to seven executive councillors with the Deputy Leader now concentrating on a supportive function with specific responsibility for Member development and achievement of the IDeA Member Development Charter.

Key decisions, defined as issues involving income/expenditure of £50,000 plus or that affect two of more wards, are listed in a Forward Plan publicised four months in advance with executive decisions published within three days to facilitate potential call-in by scrutiny.

The arrangements for delegated decision making, the conduct of business at meetings etc. are defined in Cabinet procedure rules contained in the Council's constitution.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Social Well-Being, Environmental Well-Being, and Economic Well-Being) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution. The composition of the three Panels reflect the three main principles of the Sustainable Community Strategy.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any Joint Committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- scrutinise the performance of partnerships in relation to LAA targets and crime and disorder;
- exercise the Councillor "call for action" arrangements;
- consider any matter affecting the area or its inhabitants; and
- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a Committee of the Cabinet or a key decision made by an Officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place. An annual report for 2008/09 has been put on hold for the current year as a result of the changes arising from the restructuring of the overview & scrutiny panels, implementation of partnership scrutiny and resourcing issues

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- ensuring that the financial management of the Council is adequate and effective;
- approving the Council's statement of accounts;
- ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk;
- considering the Council's Code of Corporate Governance and approving the annual statement in that respect;
- determination of the Council's feedback procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence; and
- receiving and considering the external auditor's reports including the Annual Report to those charged with Governance and the Annual Audit Letter.

3. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council.

Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests.

A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints about standards of behaviour and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. Since May 2008 the monitoring officer has received and dealt with 19 complaints of which 2 were referred for further investigation, no action was necessary in 3 cases and the remainder were referred to the monitoring officer for further action, such as training. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were set by the Council in February 2007 to come into effect in May of that year. A further review by the Independent Remuneration Panel is therefore not required until 2011.

During the year a total of £389,000 was paid to 52 Councillors, the basic allowance being £4,100 per annum. In addition Councillors can claim a limited range of travel and sundry expenses. A total of £448,000 was paid during the year.

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at the rate of 10p & 17p per mile. In total £ 10,700 of expenses were reimbursed.

4. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and employees, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities. Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy. A biennial review of the constitution was undertaken in 2009, together with a Member led review of the Council's democratic arrangements which resulted in a number of changes.

5. Capacity and Capability

Members

The Council has signed the IDeA Member Development Charter and is preparing an Action Plan to achieve Charter status. Role descriptions have been introduced for all Executive Councillors, other Councillors in receipt of special responsibility allowances, political group leaders and Ward Councillors

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

Licensing Committee/Panel
Development Management Panel
Standards Committee
Overview & Scrutiny Panels
Corporate Governance Panel.

Employees

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition corporate training programs such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

- ensures it has sufficient cash to meet its day-to-day obligations
- borrows when necessary to fund capital expenditure, including borrowing in advance when rates are considered to be low
- invests any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk.

The following is an extract from the 2009/10 Strategy produced in January 2009:

Risks associated with investments

The collapse of the Icelandic Banks in October 2008 resulted in the Capital Receipts Advisory Group (CRAG) reviewing its appetite for risk as regards counterparties that the Council would be willing to invest with. Whilst investments could be made with the Government's Debt Management Office which are theoretically risk-free, as they are backed by the Government, there is a significant downside to this level of safety in that the rates offered have been up to 2% below the market rate – a major issue when base rate itself is only 2%.

Following detailed discussion, CRAG recommended that the, then current, counterparty list of banks and building societies should continue to be used. They felt that Building societies are such key financial institutions within the UK that if one got into financial difficulties it would either be taken over by another building society or supported by the Government. They also have a significant proportion of their funds covered by retail savings so are less at the risk of market volatility.

Whilst we have a reasonable number of institutions to invest with, the list reduces every time a bank or building society is taken over by another institution. It is possible that the level of borrowing in anticipation of future needs could become limited by the availability of acceptable counterparties. This will be monitored closely.

Although many organisations rely on credit ratings to determine suitable counterparties and the Government advice refers to bodies with a "high" credit rating, recent events have shown that ratings are not totally reliable. The following changes have been made to mitigate this risk but they still only reduce it rather than remove it:

- The Council's Treasury Management advisors (Sterling) provide notice of institutions where the credit rating agencies have indicated a 'rating watch' which indicates that there may be a concern over the long-term stability of the bank or building society. These will often result in the counterparty being immediately removed from our list.
- Country limits have been set of £6M for non-EU countries, £10M for individual EU countries and £20M for EU in total. The EU limits exclude the UK.
- For shorter term investments the short-term credit rating is the most relevant, however as we may be investing in the medium-term when we have borrowed in advance it is prudent to take long-term credit ratings into account for any investment longer than 1 year. These should be A- or higher (FITCH) or the equivalent with other rating agencies."

Subsequent Restrictions

In order to manage risk whilst maintaining acceptable returns the following additional limitations have been introduced:

- Even if borrowing rates appear to be particularly good value compared with current and expected trends, any additional forward borrowing to finance the Council's MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.
- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.
- Investments will not normally be for longer than one month.
- It is considered that the action taken when the Dunfermline Building Society got into difficulties endorsed the view that Building Societies will be protected by the Building Society industry or the Government and we have also been advised that the Dunfermline was in a much weaker position than the other Societies.

7. Internal Audit

Internal audit work 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. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

In respect of the 12 month period ending 31st August 2009, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, ... the controls operated by management are currently adequate"

8. Whistleblowing and Benefit Fraud

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Fraud Team have been selected as finalists in the national awards organised by the Institute of Revenues, Rating and Valuation for 'Excellence in Anti Fraud' and will hear whether they are the winners at the IRRV annual conference in October

9. Complaints Procedure

The Council has adopted a feedback procedure which is in place to identify and deal with failure in service delivery. Complaints, or feedback to help service improvement, can be made in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA and FOI

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by the Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in

December 2008. For 2007/08 the Council has achieved a Use of Resources Assessment '3' score for the internal control theme, which includes risk management. A risk register is in place which is used to inform the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members

12. Assurance Framework

To ensure that the Council is complying with its Governance arrangements and meeting the requirements of the Code (as set out in the principles, core principles and specific requirements) an Assurance Framework in the form of an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan;
- continued reference to systems and reporting as necessary to provide assurance and support for good governance; and
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

13. Assurance

In March 2009 the CGP in taking account of the guidance issued by CIPFA in Jan 2009 agreed that the annual review of Governance arrangements will include the annual review of the effectiveness of the system of internal audit. The system of internal audit provides the framework of assurance necessary to satisfy the Council that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;
- the risk register and assurance on the operation of key controls;

- the Council's performance management framework revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success" in September 2008;
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- arrangements which have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2008/09 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the actions from external audits.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives, improve efficiency and achieve savings. A Partnership evaluation framework, including the criteria for the good governance of partnerships identified by the Audit Commission report "Governing Partnerships: Bridging the Accountability Gap" has been developed. The framework balances the need for appropriate governance of partnerships which reflect their cycle of development to ensure that innovation and new ways of working are not stifled by over-burdensome procedures, while at the same time ensuring that arrangements exist which are compatible with the governance needs of the Council. Using the framework the Council has undertaken an initial assessment of partnerships and a (3 year) programme is being implemented to continuously review and develop strategic and operational partnerships.

In addition the Council is actively involved in developing governance of County-wide partnerships, supporting the delivery of a Local Area Agreement (LAA). There is a continuing debate and review to ensure that Cambridgeshire Together and supporting structured – the partnership charged with ensuring the LAA - has appropriate governance arrangements.

15. Annual Audit and Inspection Letter: (March 2009)

The Annual Audit & Inspection Letter for 2007/08, provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

"Huntingdonshire District Council is improving outcomes in most areas that matter to local residents. Improvements continue to be made in environmental services, particularly in recycling and composting, and in keeping the district clean. Crime levels continue to reduce and remain low. The Council works well in many partnerships. It works effectively

with its partners to improve job opportunities for local residents and acts well with other councils on enforcement issues and promoting recycling. Access to services has improved with the opening of a new customer service centre. Enhanced focus on migrants and new arrivals is assisting them to access Council services more effectively. The Council performs well in delivering value for money. But numbers of affordable houses completed has decreased.

Progress is being made on sustaining improvement. A range of plans have been adopted which clearly link to Council and community priorities. Objectives are being achieved, for example delivering choice based lettings. Plans and service development are based on needs identified through consultation. Capacity is being strengthened through joint working. Actions to address poorer performing services, such as planning, have delivered improvements”.

The Annual Audit and Inspection Letter highlighted two areas where action is needed by the Council:

- maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
- develop a stronger focus on outcomes measures.

The Annual Audit and Inspection Letter is available on the Council's website; http://www.huntsdc.gov.uk/NR/rdonlyres/6334B36A-3B71-46E3-B56D-514364A0FE21/0/audit_inspection_letter_march_2009.pdf and from the Head of People, Performance & Partnerships.

The Use of Resources Assessment is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council's priorities and to improve services.

The Use of Resources Assessment for 2007/08 covers five themes, each of which were assessed on a 1 – 4 scale, 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:-

Theme	2006/07	2007/08
Financial reporting	3	2
Financial management	3	3
Financial standing	3	3
Internal control	2	3
Value for money	3	3
Overall	3	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

For 2008/09 and as part of the Comprehensive Area Assessment (CAA – a new framework for assessment of local public services) a new organisational assessment has been introduced. The organisational assessment has two elements, Use of Resources assessment and Managing Performance (formerly known as the Direction of Travel).

The Use of resources assessment has three themes - Managing Finances, Governing the Business and Managing Resources. The Key Lines of Enquiry (KLOE) that support these themes are very similar to the previous framework with the exception of the KLOE that supports the theme Managing Resources, this is a new KLOE.

The emphasis of the assessment has also changed to one which is now focusing on the outcomes delivered as apposed to the systems and processes in place and consequently it is classed by the Audit Commission as a "harder test". Therefore, to achieve a level 2 or 3 for the new assessment will be far more challenging.

The Use of Resources assessment will still be scored on the same scale of 1 to 4 and merged with the Managing Performance assessment, which will also be scored for the first time using the same 1 to 4 in order to provide an overall organisation score.

A self assessment for both the Use of Resources and Managing Performance assessment has been submitted to our external auditors. These assessments will feed into the CAA assessment with the results being made available in the autumn 2009.

Development areas identified by external organisations/inspections or by the Council are incorporated into the Council's overall Improvement Plan. Progress on the achievement of this Plan is monitored by the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

- Put in place effective arrangements to identify and deal with failure in service delivery.
 - The corporate complaints system has been recast as part of a wider feedback system, which has been adopted by the Corporate Governance Panel in December 2008. The changes include the introduction of formal procedures to monitor and analyse feedback and to implement any necessary changes
- Tackle areas of comparative under performance
 - Overall performance as measured by performance indicators is positive, with 67 per cent of the Council's performance indicators in 2007/08 improving against an all district average of between 57 and 59 per cent. This reflects its improvement over the last three years, with 66 per cent of indicators improving. In 2007/08, 33 per cent of the Council's performance indicators were amongst the best in the country, an improvement on 2006/07 and matching the average for district council
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.

- Performance has been consistently improving; for the 12 month period to July 2009, 68% of agreed audit actions have been introduced on time against the benchmark of 60%; and overall, 84% have been completed.
- Delivery of the Review of Council structure being led by Cabinet Member
 - The Review of the Council's democratic structure was adopted by the Council in April 2009. Changes to internal systems & processes have been implemented from the new municipal year. Community engagement proposals are subject to consultation with partners for implementation later in 2009/2010.
- Review of the Constitution to address any issues not dealt with in the structural review.
 - The biennial review of the Constitution has been undertaken and changes approved by Council in June 2009.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
 - Significant progress has been made in achieving the Council's improvement plan. An update on progress is monitored through the Comprehensive Performance Management Framework and considered quarterly by Cabinet.
- Undertake Partnership review programme
 - The framework, guidance and evaluation criteria have been revised to be more 'fit for purpose', and to better support and inform the current CAA process and was approved by COMT in July this year. In addition, a revised partnership list for evaluation purposes has been compiled with the feedback from Heads of Service and Activity Managers. The list consists of those partnerships which are considered to have a significant impact on the delivery of the strategic and operational priorities within the Sustainable Community Strategy and Growing Success. Work on the evaluation of these partnerships will commence in the autumn.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year -

- Code of Procurement
 - There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. Steps will be taken to improve the level of compliance.
- HSP evaluation
 - New guidance has been issued by the Audit Commission to help in the assessment of the Governance arrangements and effectiveness of the Local Strategic

Partnerships. Consideration will be given to how this guidance can be implemented in conjunction with the Council's own Partnership framework.

- Audit Letter recommendations
 - maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
 - Develop a stronger focus on outcomes measures.
- Scrutiny Annual Report
 - Following changes to Overview and Scrutiny to ensure an Overview and Scrutiny annual report reflecting their work during 2009/10 is prepared for publication.

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

Signed:
Ian Bates
Leader of the Council

Signed:
David Monks
Chief Executive

I hereby confirm that the Councils Corporate Governance Panel have approved the Governance Statement

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

Pathfinder House
St Mary's Street
HUNTINGDON
Cambs PE29 3TN
September, 2009

**APPROVAL FOR PUBLICATION OF THE 2008/09 ACCOUNTS
(Report by the Head of Financial Services)**

1. PURPOSE

- 1.1 To complete the processes for finalising and publishing the Council's accounts for 2008/09. This includes the accounts of the three largest Leisure Centres as the Joint Committees have now been disbanded. Next time, the Leisure Centres will be incorporated in the main accounts.

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
- Approving the Letters of Representation
- Receiving the Auditor's reports
- Approving the revised accounts

- 2.2 The Corporate Governance Statement is an earlier item on your agenda. Annex A contains the Letter's of Representation, and Annex B the Auditor's reports. The revised accounts are being finalised by the auditors and will be circulated as soon as they are available.

3. APPROVING THE LETTERS OF REPRESENTATION

- 3.1 Each year a letter, for each set of accounts, has to be given to the auditor 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 these letters.

4. RECEIVING THE AUDITOR'S REPORTS

- 4.1 These will be presented to the meeting by our External Auditors, Grant Thornton UK LLP.

- 4.2 As usual, the auditors have identified a number of changes, that need to be made to the accounts. There are three items of significant value on the main accounts but none affect the Council's "bottom line" (i.e. the net expenditure to be financed from grant, council tax and revenue reserves) as they are about errors in classification within the Balance Sheet or items relating to the revaluation which are statutorily deducted before reaching the bottom line.
- 4.3 Of these three errors, one was due to poor communication between sections, one was human error and the third was due to trying to comply with the external auditors request to include the April revaluation information into the accounts. This was a significant task at a time when staff were already under pressure and this led to some inaccuracies. In each case the lessons have been learnt so as to avoid recurrence.
- 4.4 The auditors are again recommending that all Journals are checked by another member of staff. Until last year the response had been:
- 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.***
- 4.5 Whilst this was still true, last year it was agreed that:
- Consideration will be given to whether there are any particular types of journals (e.g. significant impact on the final accounts) that should be checked or subsequently reviewed.***
- 4.6 It was subsequently agreed that, those journals that would have an impact on the bottom line would be reviewed and this took place. No errors were found but it is intended to continue this, at least for another year.
- 4.7 Within the errors referred to above there was at least one that might have been avoided by a review of items significantly affecting the balance sheet and so consideration will be given to whether this can be fitted into the close-down programme for this year's accounts.
- 4.8 It is also intended to try and build more time into the programme for critical review to avoid, or at least minimise, significant errors.

4.9 It is expected that we will receive an unqualified audit opinion on the final accounts.

5. APPROVING THE REVISED ACCOUNTS

5.1 The revised sets of accounts, which include the changes requested by the Auditor, are currently being finalised and will be circulated as soon as they are available.

5.2 It is best practice for the Panel to approve the revised accounts for publication.

6. RECOMMENDATIONS

6.1 It is recommended that the Panel:

- Approve the Letters of Representation and authorise the Director of Commerce and Technology to sign them on behalf of the Council.
- Receive the Auditor's reports and note the action plan for dealing with the matters highlighted.
- Approve the revised sets of accounts 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

Grant Thornton UK LLP
Byron House
Cowley Road
Cambridge Business Park
CAMBRIDGE
CB4 0WZ

22 September 2009

Dear Sirs

Huntingdonshire District Council
Financial Statements for the Year Ended 31 March 2009

We are writing to confirm to the best of our knowledge and belief, and having made appropriate enquiries of members and other officers of the authority, the following representations given to you in respect of your audit of the above financial statements for the year ended 31 March 2009.

- i We acknowledge our responsibility for ensuring that financial statements are prepared which present fairly the financial position of the authority and for making accurate representations to you.
- ii As far as we are aware:
 - there is no relevant audit information (including that related to post balance sheet events) of which you are unaware; and
 - we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.
- iii All the accounting records of the authority have been made available to you for the purpose of your audit and all the transactions undertaken by the authority have been properly recorded in the accounting records and reflected in the financial statements.
- iv All other records and related information, including minutes of all management and Committee meetings, have been made available to you.
- v 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 the 2008 local government Statement of Recommended Practice, we selected the estimation technique considered to be the most appropriate to the authority's particular circumstances for the purpose of giving a presents fairly view. Those estimates, whose basis are clearly disclosed in our financial statements, 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:
 - i. to reduce debtors to their estimated collectable amounts;

- ii. for any impairment losses or other write downs identified in relation to tangible fixed assets.
- vi The financial statements are free of material misstatements, including omissions.
- vii We confirm that the value of land and buildings including finance leases are not materially different to the values in the financial statements.
- viii We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- ix 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.
- x We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
- xi We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- xii Except as stated in the accounts:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the authority have been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xiii There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements.
- xiv All related parties have been identified to you and there were no transactions with related parties nor details of controlling interests which should be disclosed in the financial statements, that are not all ready disclosed in the notes to the accounts.
- xv There are no claims, legal proceedings or other matters which may lead to a loss falling on the authority or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements except as disclosed in the notes to the accounts.
- xvi The authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of

regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- xvii We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.
- xviii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xix No inventory is stated at an amount in excess of net realisable value.
- xx No significant events having an effect on the financial position of the authority have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto except as disclosed in the financial statements.
- xxi We believe that the authority'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 authority's needs. We believe that as at 22 September 2009 no further disclosures relating to the authority's ability to continue as a going concern need to be made in the financial statements.

The financial statements have been fully explained to and discussed with us.

Approval

The approval of this letter of representation was minuted by the Corporate Governance Panel at its meeting on 22 September 2009.

Signed on behalf of Huntingdonshire District Council.

Terry Parker
Director of Commerce and Technology
22 September 2009

Grant Thornton UK LLP
Byron House
Cambridge Business Park
CAMBRIDGE
CB4 0WZ

22 September 2009

Dear Sirs

**Huntingdon Leisure Centre Management Committee
Financial Statements for the Year Ended 31 March 2009**

We are writing to confirm to the best of our knowledge and belief, and having made appropriate enquiries of members and staff of Huntingdon Leisure Centre Management Committee ('the Committee'), the following representations given to you in respect of your audit of the above financial statements for the year ended 31 March 2009.

xxii We acknowledge our responsibility for ensuring that financial statements are prepared which present fairly the financial position of the authority and for making accurate representations to you.

xxiii As far as we are aware:

- there is no relevant audit information of which you are unaware; and
- we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

xxiv All the accounting records of the Committee have been made available to you for the purpose of your audit and all the transactions undertaken by the Committee have been properly recorded in the accounting records and reflected in the financial statements.

xxv All other records and related information, including minutes of all management and Committee meetings, have been made available to you.

xxvi 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 the 2008 SORP, we selected the estimation technique considered to be the most appropriate to the authority's particular circumstances for the purpose of giving a presents fairly 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:

- i. to reduce debtors to their estimated collectable amounts;

xxvii The financial statements are free of material misstatements, including omissions.

- xxviii We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- xxix 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.
- xxx We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
- xxxi We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxxii Except as stated in the accounts:
- there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Committee have been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xxxiii There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements.
- xxxiv All related parties have been identified to you and there were no transactions with related parties nor details of controlling interests which should be disclosed in the financial statements, that are not all ready disclosed in the notes to the accounts.
- xxxv There are no claims, legal proceedings or other matters which may lead to a loss falling on the Committee or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements except as disclosed in the notes to the accounts.
- xxxvi The Committee has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- xxxvii We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.
- xxxviii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial

statements.

xxxix No inventory is stated at an amount in excess of net realisable value.

xi No significant events having an effect on the financial position of the Committee have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

xli We believe that the Committee'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 Committee's needs. We believe that as at 22 September 2009 no further disclosures relating to the Committee's ability to continue as a going concern need to be made in the financial statements.

The financial statements have been fully explained to and discussed with us.

Approval

The approval of this letter of representation was minuted by Corporate Governance Panel at its meeting on 22 September 2009.

Signed on behalf of Huntingdonshire District Council.

Terry Parker
Director of Commerce and Technology
22 September 2009

Grant Thornton UK LLP
Byron House
Cambridge Business Park
CAMBRIDGE
CB4 0WZ

22 September 2009

Dear Sirs

**St Ivo Leisure Centre Management Committee
Financial Statements for the Year Ended 31 March 2009**

We are writing to confirm to the best of our knowledge and belief, and having made appropriate enquiries of members and staff of St Ivo Leisure Centre Management Committee ('the Committee'), the following representations given to you in respect of your audit of the above financial statements for the year ended 31 March 2009.

- xlii We acknowledge our responsibility for ensuring that financial statements are prepared which present fairly the financial position of the authority and for making accurate representations to you.

- xliii As far as we are aware:
 - there is no relevant audit information of which you are unaware; and
 - we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

- xliv All the accounting records of the Committee have been made available to you for the purpose of your audit and all the transactions undertaken by the Committee have been properly recorded in the accounting records and reflected in the financial statements.

- xlv All other records and related information, including minutes of all management and Committee meetings, have been made available to you.

- xlvi 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 the 2008 SORP, we selected the estimation technique considered to be the most appropriate to the authority's particular circumstances for the purpose of giving a presents fairly 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:
 - i. to reduce debtors to their estimated collectable amounts;

- xlvii The financial statements are free of material misstatements, including omissions.

- xlviii We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- xlix 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.
- I We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
- li We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- lii Except as stated in the accounts:
- there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Committee have been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- liii There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements.
- liv All related parties have been identified to you and there were no transactions with related parties nor details of controlling interests which should be disclosed in the financial statements, that are not all ready disclosed in the notes to the accounts.
- lv There are no claims, legal proceedings or other matters which may lead to a loss falling on the Committee or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements except as disclosed in the notes to the accounts.
- lvi The Committee has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- lvii We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.
- lviii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- lix No inventory is stated at an amount in excess of net realisable value.
- lx No significant events having an effect on the financial position of the Committee have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.
- lxi We believe that the Committee'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 Committee's needs. We believe that as at 22 September 2009 no further disclosures relating to the Committee's ability to continue as a going concern need to be made in the financial statements.

The financial statements have been fully explained to and discussed with us.

Approval

The approval of this letter of representation was minuted by Corporate Governance Panel at its meeting on 22 September 2009.
Signed on behalf of Huntingdonshire District Council.

Terry Parker
Director of Commerce and Technology
22 September 2009

Grant Thornton UK LLP
Byron House
Cambridge Business Park
CAMBRIDGE
CB4 0WZ

22 September 2009

Dear Sirs

**St Neots Leisure Centre Management Committee
Financial Statements for the Year Ended 31 March 2009**

We are writing to confirm to the best of our knowledge and belief, and having made appropriate enquiries of members and staff of St Neots Leisure Centre Management Committee ('the Committee'), the following representations given to you in respect of your audit of the above financial statements for the year ended 31 March 2009.

- lxii We acknowledge our responsibility for ensuring that financial statements are prepared which present fairly the financial position of the authority and for making accurate representations to you.

- lxiii As far as we are aware:
 - there is no relevant audit information of which you are unaware; and
 - we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

- lxiv All the accounting records of the Committee have been made available to you for the purpose of your audit and all the transactions undertaken by the Committee have been properly recorded in the accounting records and reflected in the financial statements.

- lxv All other records and related information, including minutes of all management and Committee meetings, have been made available to you.

- lxvi 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 the 2008 SORP, we selected the estimation technique considered to be the most appropriate to the authority's particular circumstances for the purpose of giving a presents fairly 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:
 - i. to reduce debtors to their estimated collectable amounts;

- lxvii The financial statements are free of material misstatements, including omissions.

- lxviii We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- lix 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.
- lxx We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
- lxxi We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- lxxii Except as stated in the accounts:
- there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Committee have been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- lxxiii There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements.
- lxxiv All related parties have been identified to you and there were no transactions with related parties nor details of controlling interests which should be disclosed in the financial statements, that are not all ready disclosed in the notes to the accounts.
- lxxv There are no claims, legal proceedings or other matters which may lead to a loss falling on the Committee or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements except as disclosed in the notes to the accounts.
- lxxvi The Committee has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- lxxvii We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.
- lxxviii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial

statements.

lxxix No inventory is stated at an amount in excess of net realisable value.

lxxx No significant events having an effect on the financial position of the Committee have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

lxxxi We believe that the Committee'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 Committee's needs. We believe that as at 22 September 2009 no further disclosures relating to the Committee's ability to continue as a going concern need to be made in the financial statements.

The financial statements have been fully explained to and discussed with us.

Approval

The approval of this letter of representation was minuted by Corporate Governance Panel at its meeting on 22 September 2009.

Signed on behalf of Huntingdonshire District Council.

Terry Parker
Director of Commerce and Technology
22 September 2009

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Huntingdonshire District Council

Audit of Accounts 2008/09.

Annual report to those Charged with Governance 2008/09

September 2009

Contents		Page
1	Executive Summary	2
2	Detailed findings	5

Appendices

- A Reporting requirements of ISA 260**
- B Action Plan: Accounts Audit**

1 Executive Summary

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

1.1 Purpose of report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Corporate Governance Panel of Huntingdonshire District Council ('the Authority'). The purpose of this report is to highlight the key issues arising from the audit of the Authority's statement of accounts for the year ending 31 March 2009.

The document is used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAUK) 260, and to report audit findings to "those charged with governance", designated as the Corporate Governance Panel.

The Authority is responsible for the preparation of a statement of accounts which records its financial position as at 31 March 2009 and its income and expenditure for the year then ended. We as auditors are responsible for undertaking an audit and reporting whether, in our opinion, the Authority's statement of accounts represents a "presents fairly" view of the financial position.

Under the Audit Commission's Code of Audit Practice ('the Code') we are also required to reach a formal conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). The pieces of work that have informed our VFM conclusion, and our detailed findings, are set out in this report.

1.2 Status of audit

We were presented with the draft statement of accounts on 17 June 2009. We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards.

At the time of writing this report the audit of the Cambridgeshire County Council Pension Scheme is yet to be completed by Pricewaterhouse Coopers UK LLP. This may impact upon the Authority's pension liability and disclosures in the accounts.

1.3 Overall conclusions

There were a number of significant adjustments identified during our audit, mainly resulting from the revaluation of the Council's land and property assets. Details of the adjustments are included in section 2 of this report.

The key highlights from the audit are:

- The Council undertook a full revaluation of its land and property assets as at 1 April 2009. It was agreed with the Council that because of the timing of the

revaluation that these values be incorporated into the Statement of Accounts as closing balances as at 31 March 2009. The revaluation resulted in the Council reporting revaluation gains totalling £7.6m and impairment losses of £20m which included £12.1m in respect of the demolition of Pathfinder House and the construction of new office building. Audit procedures identified a number of adjustments in respect of these transactions which resulted in an increase in the reported net costs of services and reported deficit for the year of £489k.

- The Council had netted off a NNDR creditor of £1,191k against its NNDR debtors. These balances should not have been netted off against each other and appropriate adjustments have been made to NNDR debtors, Receipts in Advance and Other Creditors in respect of this amount.
- The Council had included a debtor of £420k which had been received prior to the year-end. The amount had also been included twice as a receipt in advance. An adjustment has been made to both debtors and receipts in advance in respect of this sum.
- A number of disclosure amendments were identified in the financial instruments disclosure.

Only the adjustments required as a result of the revaluation of fixed assets had an impact on the Income and Expenditure account deficit. There was no impact on the General Fund balance as charges arising from impairments are not credited to this balance so as not to impact on the level of Council Tax.

The quality of the working papers provided by the Authority has improved from those provided in the prior period; however, there is scope for further improvement and we will continue to work with the Authority to achieve improvements.

Statement of accounts opinion

We anticipate providing an unqualified opinion on the Authority's statement of accounts, prior to the statutory deadline of 30 September 2009.

Value for Money conclusion

In providing our opinion on the statement of accounts, we are required to reach a conclusion on the adequacy of the Authority's arrangements for ensuring economy, efficiency and effectiveness in its use of resources ('the Value for Money conclusion').

Our Value for Money conclusion is informed by our work on Use of Resources. In order for us to provide an unqualified conclusion, the Authority needs to achieve a score of at least 2 for each Key Line of Enquiry ('KLOE'). We are pleased to report that the Authority has met the requirements for all the scored KLOE. This is a good achievement given the new Use of Resources assessment in 2008/09 represents a much harder test.

We anticipate providing an unqualified Value for Money conclusion.

Further information on the outcome of our Use of Resources audit is contained in Section Two.

1.4 Way forward

We will continue to work with the Authority to ensure that outstanding finalisation issues are completed in time for the accounts opinion to be formally signed in accordance with the statutory deadline of 30 September 2009.

We are required to provide an audit opinion on the consolidation pack that is to be completed as part of the Whole of Government Accounts. This work is not covered by our opinion on the Authority's accounts. We will complete this work once the accounts audit has been finalised and in time for the 1 October deadline.

1.5 Acknowledgements

We would like to record our appreciation for the positive co-operation and assistance provided to us by the finance department and other staff at the Authority during the course of our audit.

Grant Thornton UK LLP

8 September 2009

2 Detailed findings

2.1 Introduction

This section provides a summary of our findings arising from the audit of the statement of accounts, including matters arising from our evaluation of key controls and comment on the Authority's overall financial position.

2.2 Status of the audit

We carried out our audit in accordance with the audit plan presented to the Corporate Governance Panel in March 2008. Our audit is substantially complete.

The following finalisation procedures are outstanding:

- review of the Council's Annual Governance Statement;
- review of the final version of the statement of accounts;
- review the assurances provided by the auditors of the Cambridgeshire County Council Pension Fund in respect of the pensions liability, associated reserve and disclosures included in the Authority's statement of accounts;
- obtaining and reviewing the Authority's letter of management representation; and
- updating our post balance sheet events review, to the date of signing the accounts.

2.3 Audit opinion

Statement of accounts Opinion

We expect to issue an unqualified audit opinion on the Authority's statement of accounts. This is subject to the approval of the statement of accounts by the Corporate Governance Panel on 22 September 2009 and completion of our finalisation procedures.

A number of issues arose during the course of the audit which should be considered by the Corporate Governance Panel. These are set out in sections 2.4 to 2.6 below.

Value for Money Conclusion

Our Value for Money conclusion is drawn from our work on UoR. In order for us to provide an unqualified conclusion, the Authority needs to achieve a score of at least 2 for each Key Line of Enquiry ('KLOE'). Our proposed assessment for the Authority is summarised overleaf. Please note that these scores are provisional and subject to national quality assurance processes.

Scoring scale:

1 - Below minimum requirements - inadequate performance
 2 - Only at minimum requirements – adequate performance
 3 - Consistently above minimum requirements – performing well
 4 - Well above minimum requirements – performing strongly

Table 1: Provisional UoR scores

Theme	2009
1 Managing Finances	2
2 Governing the Business	2
3 Managing Other Resources	2

We would like to emphasise that the Authority has performed well to achieve scores of level 2, as this is a new assessment which represents a much harder test. We understand that 2 is the prevailing score nationally for district councils.

Based on the Use of Resources assessment above, we anticipate providing an unqualified value for Money conclusion.

The outcome of our Use of Resources audit will be reported in full in a separate report to be presented to the Corporate Governance Panel in December 2009.

2.4 Matters arising from the statement of accounts audit

Matters arising from the statement of accounts audit are set out below. Where appropriate, we have made recommendations for improvement, as set out in the agreed action plan at Appendix B.

We are pleased to note that officers chose to undertake the full review of land and buildings and investment properties early in the 2009/10 financial year. Our audit experience in other sectors identified that land values had fallen by around 25% in the 2008/09 financial year. A number of adjustments were required as a result of the revaluation exercise. It is now important that the Council reviews the arrangements it has in place for the management of its fixed asset register to ensure that it is fit for purpose. With the introduction of the revaluation reserve and the requirement to maintain records of movements in the historical cost and revaluation gains and losses of assets, more detailed information needs to be kept. This will also be required through the introduction of International Financial Reporting Standards (IFRS) in 2010/11 and the requirement to account for assets on a component basis. The Council should ensure it has adequate systems in place to ensure that it can accurately record and report this information.

Our work on revenue recognition identified that in one instance, rental income of £1.4k due in respect of 2009/10 had been included as revenue in 2008/9 rather than as deferred income where not received. As a result of this we reviewed the details of all invoices raised in advance, established the Authority's process for reviewing these for inclusion in the Statement of Accounts and undertook an exercise to extrapolate a value for revenue that should have been disclosed as deferred income rather than recognised as 2008/09 revenue. The extrapolated value is £21k which is not considered to be significant and no adjustment has been proposed.

We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the statement of accounts audit. Our evaluation of the Authority's key financial control systems did not identify any control issues presenting a material risk to the accuracy of the statement of accounts.

We have reviewed the work of Internal Audit and concluded that the scope and conduct of the testing was satisfactory and we were able to rely on internal audit in understanding key financial systems of the Authority. We have therefore taken assurance from the work of internal audit to support our responsibilities in documenting and understanding material systems used to prepare the statement of accounts. There were no significant issues that would impact on our planned audit strategy.

We performed a high level review of the general IT control environments as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that would adversely impact our audit of the accounts.

2.5 Adjusted misstatements

There were no misstatements identified by the management team during the course of the audit.

Our audit identified the following adjustments which have been processed by management:

- Revaluation gains:
 - £239k of revaluation gains had not been recognised in the accounts due to valuations for four assets not being processed.
 - £424k of revaluation gains had not been recognised in the accounts due to netting off against impairment losses for different components of the same assets.
 - Total increase in revaluation gains not recognised in the draft statement of accounts: £663k
- Impairments:
 - £340k of impairment losses had not been recognised in the accounts due to valuations for four assets not being processed.
 - £424k of impairment losses had not been recognised in the accounts due to netting off against revaluation gains for different components of the same assets.
 - £275k reduction in the amount of impairment charged to the income and expenditure account in respect of revaluation gains held in respect of impaired assets in the revaluation reserve
 - Total increase in impairment charged to the income and expenditure account: £489k
- Revaluation Reserve: £355k increase in balance of revaluation reserves relating to addition of revaluation gains noted above (£653k) less reduction of £308k in respect of impairment charges for previously recognised revaluation gains on assets.

- NNDR Debtors - £916k increase to reflect value of NNDR debtors (less bad debt provision of £275k) which had been netted off against NNDR creditors.
- Other Creditors - £275k decrease to reflect movement of NNDR creditors to Receipts in Advance relating to a payment of £1,191k received in respect of a 2009/10 NNDR liability.
- Receipts in Advance - £1,191 increase to reflect a payment received in respect of a 2009/10 NNDR liability. £275k previously disclosed as an "other creditor" with £916k having been netted off against NNDR debtors.
- General Debtors - £420k decrease in respect of an invoice paid in full prior to 31 March 2009
- Receipts in Advance - £420k decrease in respect of an invoice included twice in the balance.

The aggregate of these adjustments has increased the Income and Expenditure account deficit by £489k with no impact on General Fund balances. Whilst the adjustment is not material to the accounts, it is considered to be significant.

2.6 Unadjusted misstatements

There was one unadjusted error. Where a revaluation gain is held for an asset, an adjustment in respect of the difference of the depreciation charge based on historic cost depreciation and carrying value depreciation should be made to the revaluation reserve and to the Capital Adjustment Account. This adjustment was required in respect of one asset that had been revalued in 2007/8 for an amount of £1k. This amount is clearly inconsequential in respect of the 2008/09 financial statements; however, as noted in section 2.4 above, following the revaluation exercise the figure is likely to be of significance in future reporting periods and the Authority should ensure that it has adequate systems in place to calculate this adjustment on an asset by asset basis.

2.7 Financial performance

The Authority has reported a deficit on the Income and Expenditure account of £26,853,000 (2007/08 £10,305,000). The main reason for the increase in this deficit is the recognition of impairments on the value of land, buildings and investment properties following the full revaluation that took place as at 1 April 2009. Land values in particular have fallen in all sectors due to the economic downturn. There is no impact on General Fund balances as impairments are reversed out through the Capital Adjustment Account.

The Authority under spent against the budget by £470,000. Included within this under spend are a number of positive and negative variances against the budget, the most significant of which are included in the table below:

Table 2: Most significant variances against budget

Budget area	Performance against budget
Investment income	£318k favourable
Leisure Centres	£476k favourable
Other grants (including LABGI)	£199k favourable
Public Transport including concessionary bus fares	£159k adverse
Income from land charges	£303k adverse
Car Parks	£168k adverse

The Authority did not have any investments in Icelandic banks at the time of collapse of these banks. Officers continue to closely monitor credit ratings and future prospects of financial institutions that the Authority is authorised to invest in to minimise the risk of losses, whilst securing competitive returns. In 2008/09 the Authority reviewed its treasury management arrangements in response to the Audit Commission report on Icelandic investments. The Audit Commission has required us to complete a review of Treasury Management arrangements at the Authority and we are due to report back to the Audit Commission on our findings in October 2009. There are no significant issues which we wish to bring to your attention at this time.

2.8 Annual Governance Statement ('AGS')

We have examined the Authority's arrangements and process for compiling the AGS. In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Authority. Our audit has not identified any proposed adjustments.

The Audit Commission has requested that all auditors of local Authorities review the policies and arrangements for members' allowances and expenses. Should we identify any significant issues we will report these to the Corporate Governance Panel.

The Authority has reflected on arrangements in place to manage risks in respect of treasury management and members' allowances in the AGS. The Authority has also noted actions to improve the effectiveness of the Corporate Governance Panel, the HR function, governance and ethical arrangements as well as ensuring that the current and future financial position is monitored.

2.9 Next Steps

The Corporate Governance Panel is required to approve the annual accounts of the Authority for the year ended 2008/09.

Finally, we would like to draw to the attention of those charged with governance further significant changes that will happen to the statement of accounts in future years. The most significant of which is the full implementation of International Financial Reporting Standards ("IFRS") in 2010/11. Although this may seem a long

way off, it is important that authorities start planning now, as there will be significant changes to the accounts. Our experience in other sectors shows that audited bodies that are well planned for the transition to IFRS have fewer amendments to their accounts and are less likely to be charged additional audit fees, than those who are not well prepared. We would be happy to share our experiences of working with CIPFA in this area, as well as involving our Financial Reporting Advisory Group who are specialists in planning for IFRS.

A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

Matters Reported under ISA 260

Area	Key Messages
Independence	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"> • We are independently appointed by the Audit Commission. • The firm has been assessed by the Audit Commission as complying with its required quality standards. • The appointed auditor and client service manager are subject to rotation every 5 years • We comply with the Auditing Practices Board's Ethical Standards.

Area	Key Messages
Audit Approach	<p>Our approach to the audit was set out in our 2008/09 audit plan and our audit strategy document for the year ending 31 March 2009. 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"> • We consider the materiality of items in the statement of accounts in determining the audit approach and in determining the impact of any errors. • We have been able to place appropriate reliance on the key accounting systems operating at the Authority for final accounts audit purposes. • In 2008/09 we have been able to place reliance on the work of internal audit in respect of understanding and documenting key accounting systems.
Accounting Policies	<p>We consider that the Authority has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies are in accordance with the 2008 local government Statement of Recommended Practice.</p> <p>The Corporate Governance Panel should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p> <p>We have considered the Authority's financial plans and consider it appropriate to account on a going concern basis.</p>
Material Risks	<p>We have requested from the Authority a letter of management representations, to state that there are no additional material risks and exposures as at the date of the audit report, which should be reflected in the statement of accounts.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the Authority have been recognised in the accounts as at the date of the audit report.</p>

Area	Key Messages
Audit Adjustments	<p>Details of all significant adjustments made to the accounts arising from the audit process, which have been processed and agreed with the Director of Internal Services, are set out in 2.5 of this report.</p> <p>The overall effect of the misstatements identified above is to increase the deficit on the income and expenditure account by £489k without any impact on the General Fund balances.</p>
Unadjusted Errors	One unadjusted error was identified - refer to section 2.6 of this report.
Other Matters	There was one control issue noted as a result of our audit. This is detailed in the action plan at Appendix B along with suggestions for future actions on fixed asset accounting under IFRS.

B Action Plan: Accounts Audit

The following table presents a list of recommendations which require action on the part of the Authority. These relate to weaknesses in the systems of financial control and other issues associated with the accounts process.

Issue Noted	Priority	Recommendation	Management Response	Officer Responsible	Implementation Date
Fixed assets under IFRS Accounting for fixed assets will be significantly different under IFRS from 2010/11.	High	The Council should review the arrangements it has in place for the management of its fixed asset register to ensure that it is fit for purpose for IFRS.	Agreed	Accountancy Manager	December 09
Valuations under IFRS The accounting requirements and valuation methods for fixed assets will change significantly under International Financial Reporting Standards from 2010/11.	High	The Authority should ensure that it has appropriate arrangements in place to meet the valuation requirements for fixed assets under International Financial Reporting Standards which will apply from 2010/11.	Agreed	Accountancy Manager	December 09

Issue Noted	Priority	Recommendation	Management Response	Officer Responsible	Implementation Date
<p>Journal Entry Controls We note that there is no authorisation or review process in place at the Council in respect of journals which can be posted by all accountancy staff. There is therefore an increased risk of errors or other misstatement arising from journal processing.</p>	Medium	All journal entries should be reviewed and signed off by an independent officer prior to processing.	<p>Last year our response was that:</p> <p><i>Consideration will be given to whether there are any particular types of journals (e.g. significant impact on the final accounts) that should be checked or subsequently reviewed.</i></p> <p>It was subsequently agreed that, those journals that would have an impact on the bottom line would be reviewed and this took place. No errors were found but it is intended to continue this, at least for another year.</p> <p>Of the errors this year at least one might have been avoided by a review of items significantly affecting the balance sheet and so consideration will be given to whether this can also be fitted into the close-down programme for this year's accounts.</p>	Accountancy Manager	Finalisation of close-down programme by February 2010.



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Huntingdon Leisure Centre Management Committee

Audit of Accounts 2008/09
Annual Report to those Charged with Governance

8 September 2009

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1 Executive Summary

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

1.1 Purpose of the report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Corporate Governance Panel of Huntingdonshire District Council ('the Council'). The purpose of this report is to highlight the key issues arising from the audit of the Huntingdon Leisure Centre Management Committee's (the Committee's) financial statements for the year ending 31 March 2009.

Until 1 April 2009, the Committee operated in accordance with Huntingdonshire District Council's (the Council) Constitution. All employees of the leisure centre were Council employees and the leisure centre was administered by the Council using the Council's financial management systems, processes and procedures. The Committee was decommissioned on 1 April 2009, at which time, all of the assets and liabilities of the Committee were transferred to the Council.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Corporate Governance Panel. The requirements of ISA260, and how we have discharged them, are set out in more detail in Appendix A.

The Committee was responsible for the preparation of financial statements which record its financial position as at 31 March 2009, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Committee's financial statements 'present fairly' the financial position of the Committee at this date.

Under the Audit Commission's Code of Audit Practice, 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 Use of Resources ('UoR') audit work using criteria prescribed by the Audit Commission.

1.2 Status of Audit

We were presented with financial statements on 23 June 2009. We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice, and applicable auditing standards.

At the time of writing this report the following audit procedures are outstanding:

- Review of the Annual Governance Statement.
- Review of the final version of the statement of accounts, including cash flow statement and supporting notes.
- Receipt of the signed management representation letter.

1.3 Overall conclusions

Financial Statements Opinion

We anticipate providing an unqualified opinion on the Committee's financial statements, following the acceptance of the accounts by the Corporate Governance Panel on 22 September 2009.

The Council prepared good quality accounts for the Committee and the overall quality of the working papers to support the 2008/09 accounts was of a good standard.

Use of Resources Conclusion

In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Committee's arrangements for ensuring economy, efficiency and effectiveness in its use of resources ('the Use of Resources conclusion').

Our Use of Resources conclusion is informed by our work on the UoR assessments. In order for us to provide a positive conclusion, the Committee has to achieve a 'yes' judgement against relevant Key Line of Enquiry (KLOE) criteria as determined by the Audit Commission.

At the time of writing this report, we expect to issue an unqualified VFM conclusion.

Further information on the outcome of our Use of Resources audit is contained in Section Two.

1.4 The way forward

The Corporate Governance Panel is required to approve the annual accounts of the Committee for the year ended 31 March 2009.

1.5 Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under ISA260, and should not be use for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

1.6 Acknowledgements

We would like to record our appreciation for the positive co-operation and assistance provided to us by the finance department and other staff at the Council during the course of our audit.

Grant Thornton UK LLP

8 September 2009

2 Detailed Findings

2.1 Introduction

This section provides a summary of findings arising from our audit of the financial statements. This includes matters arising from our evaluation of key controls.

2.2 Audit conclusions

Financial Statements Opinion

We anticipate providing an unqualified opinion on the Committee's financial statements, following approval of the accounts by the Corporate Governance Panel on 22 September 2009.

No issues arose during the audit that were material to the reported financial performance and require consideration by the Corporate Governance Panel.

Use of Resources Conclusion

Our Use of Resources conclusion is drawn from our work on the Audit Commission's assessment framework. In order for us to provide a positive conclusion, the Committee needs to achieve a 'yes' judgement against criteria determined by the Audit Commission to assess whether it has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our assessment for the Committee is summarised below.

Table 1: Provisional UoR Judgements

Key Line of Enquiry	2009
1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities	Yes
1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
2.3 Does the organisation promote and demonstrate the principles and values of good governance?	Yes
2.4 Does the organisation manage its risks and maintain a sound system of internal control?	Yes

Based on the UoR assessment above, we propose to provide an unqualified VFM conclusion.

Scoring scale:

- 1 - Below minimum requirements - inadequate performance
- 2 - Only at minimum requirements – adequate performance
- 3 - Consistently above minimum requirements – performing well
- 4 - Well above minimum requirements – performing strongly

2.3 Audit of the accounts

No accounting issues considered material to the reported financial position were identified during the course of our audit.

2.4 Adjusted misstatements

There were no misstatements identified by the Council during the course of the audit.

Our audit identified the following adjustment which has been processed by management:

The 2008/9 audit fee disclosed in the accounts had been overstated by £273. An amendment to the disclosure note has been made and the prior year comparative included in the Note.

A number of other presentation and disclosure adjustments have been agreed to improve clarity and presentation of the accounts which do not affect the reported financial position.

2.5 Unadjusted misstatements

There were no unadjusted errors.

2.6 Evaluation of key controls

The Committee was serviced by the Council's financial systems. We have evaluated the Council's key financial control systems as part of the audit planning process. This work was conducted primarily during the Interim Audit of the Council in April 2009. We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. We have documented the key control systems and undertaken tests to ensure that the system is operating as described. Compliance with key financial controls has been tested by the Council's Internal Audit Function and the findings have been presented to the Council. We have reviewed the work of Internal Audit and concluded that the scope and conduct of the testing was appropriate to provide adequate assurance on the effective operation of controls. We have therefore placed reliance on the work of Internal Audit in our evaluation of controls.

Our financial controls work did not identify any control issues which present a material risk to the accuracy of the financial statements. However, we did note a weakness with regard to the authorisation of journals. There is no authorisation or review process in place at the Council in respect of journals which can be posted by all accountancy staff. There is therefore an increased risk of errors or other misstatement arising from journal processing. We recommend that all journal entries should be reviewed and signed off by an independent officer prior to processing.

Our audit procedures identified that the Committee has around £960 of debtors outstanding in excess of 18 months. Whilst these are for small amounts the Council should consider the collectability of these amounts and whether it is appropriate for them to be written off. However, we also note that from 1 April 2009, they will be provided for as part of the Council's bad debt provision.

A recommendation to address this issue has been included in Appendix B.

2.7 Annual Governance Statement (AGS)

The Committee was required to comply with the Council's governance arrangements. As such, we have examined the Council's arrangements and process for compiling the AGS. In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council and whether any specific issues relating to the Committee should have been highlighted. The draft AGS provided for audit was consistent with our knowledge of both the Council and the Committee. [

2.8 Next steps

The Corporate Governance Panel is required to approve the financial statements for the year ended 31 March 2009.

A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
Independence	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"> • We are independently appointed by the Audit Commission. • The firm has been assessed by the Audit Commission as complying with its required quality standards. • The appointed auditor and client service manager are subject to rotation every 5 years. • We comply with the Auditing Practices Board's Ethical Standards. • We have not provided any non audit services.

ISA260 reporting requirement	Key messages
Audit Approach	<p>Our approach to the audit was set out in our 2008/09 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"> • We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors. • We have been able to place appropriate reliance on the key accounting systems operating at the Council for financial statement audit purposes. • In 2008/09, we have been able to place reliance on the work of internal audit.
Accounting Policies	<p>The Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies are in accordance with the Local Government Statement of Recommended Practice (SORP) 2008.</p> <p>The Corporate Governance Panel should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p> <p>We have considered the Committee's financial plans and its decommissioning at midnight on 1 April 2009 with the transfer of assets and liabilities to the Council as at this date. It was appropriate that the Committee continued to account on a going concern basis as at 31 March 2009 on the basis of the on-going operation of the Leisure Centre under the control of Huntingdonshire District Council.</p>
Material Risks	<p>We have requested, from the Council, a Letter of Representation, to state that there are no additional material risks and exposures as at 22 September 2009, which should be reflected in the financial statements.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the Council have been recognised in the accounts as at 22 September 2009.</p>

ISA260 reporting requirement	Key messages
Audit Adjustments	We have discussed with management adjustments to the accounts, primarily to improve the fair presentation of the financial statements, as well as the clarity and presentation of disclosure notes. These adjustments are summarised in paragraph 2.4.
Unadjusted Errors	There are no unadjusted errors.
Other Matters	We have identified a weakness in the Council's journal authorisation processes. This has been summarised in paragraph 2.6.

B Action Plan: Financial Statements Audit

The following table presents a list of recommendations which require action on the part of Council management. These relate to weaknesses in the systems of financial control and other issues associated with the accounts process.

Report Reference	Issue Noted	Priority	Recommendation	Management Response	Council Officer Responsible	Implementation Date
2.5	A review of debtors identified around £960 of debtors outstanding over 18 months.	Low	Whilst the debtors are for small amounts, the Council should consider their collectability and whether it is appropriate for them to be written off. It is noted that from 1 April 2009, they will be provided for as part of the Council's bad debt provision.	Agreed	Accountancy Manager	December 2009

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St Ivo Leisure Centre Management Committee

Audit of Accounts 2008/09
Annual Report to those Charged with Governance

September 2009

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ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

1.1 Purpose of the report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Corporate Governance Panel of Huntingdonshire District Council ('the Council'). The purpose of this report is to highlight the key issues arising from the audit of the St Ivo Leisure Centre Management Committee's (the Committee's) financial statements for the year ending 31 March 2009.

Until 1 April 2009, the Committee operated in accordance with Huntingdonshire District Council's (the Council) Constitution. All employees of the leisure centre were Council employees and the leisure centre was administered by the Council using the Council's financial management systems, processes and procedures. The Committee was decommissioned on 1 April 2009, at which time, all of the assets and liabilities of the Committee were transferred to the Council.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Corporate Governance Panel. The requirements of ISA260, and how we have discharged them, are set out in more detail in Appendix A.

The Committee was responsible for the preparation of financial statements which record its financial position as at 31 March 2009, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Committee's financial statements 'present fairly' the financial position of the Committee at this date.

Under the Audit Commission's Code of Audit Practice, 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 Use of Resources ('UoR') audit work using criteria prescribed by the Audit Commission.

1.2 Status of Audit

We were presented with financial statements on 23 June 2009. We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice, and applicable auditing standards.

At the time of writing this report the following audit procedures are outstanding:

- Review of the Annual Governance Statement.
- Review of the final version of the statement of accounts, including cash flow statement and supporting notes
- Receipt of the signed management representation letter.

1.3 Overall conclusions

Financial Statements Opinion

We anticipate providing an unqualified opinion on the Committee's financial statements, following the acceptance of the accounts by the Corporate Governance Panel on 22 September 2009.

The Council prepared good quality accounts for the Committee and the overall quality of the working papers to support the 2008/09 accounts was of a good standard.

Use of Resources Conclusion

In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Committee's arrangements for ensuring economy, efficiency and effectiveness in its use of resources ('the Use of Resources conclusion').

Our Use of Resources conclusion is informed by our work on the UoR assessments. In order for us to provide a positive conclusion, the Committee has to achieve a 'yes' judgement against relevant Key Line of Enquiry (KLOE) criteria as determined by the Audit Commission.

At the time of writing this report, we expect to issue an unqualified VFM conclusion.

Further information on the outcome of our Use of Resources audit is contained in Section Two.

1.4 The way forward

The Corporate Governance Panel is required to approve the annual accounts of the Committee for the year ended 31 March 2009.

1.5 Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under ISA260, and should not be use for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

1.6 Acknowledgements

We would like to record our appreciation for the positive co-operation and assistance provided to us by the finance department and other staff at the Council during the course of our audit.

Grant Thornton UK LLP

8 September 2009

2 Detailed Findings

2.1 Introduction

This section provides a summary of findings arising from our audit of the financial statements. This includes matters arising from our evaluation of key controls.

2.2 Audit conclusions

Financial Statements Opinion

We anticipate providing an unqualified opinion on the Committee's financial statements, following approval of the accounts by the Corporate Governance Panel on 22 September 2009.

No issues arose during the audit that were material to the reported financial performance and require consideration by the Corporate Governance Panel.

Use of Resources Conclusion

Our Use of Resources conclusion is drawn from our work on the Audit Commission's assessment framework. In order for us to provide a positive conclusion, the Committee needs to achieve a 'yes' judgement against criteria determined by the Audit Commission to assess whether it has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our assessment for the Committee is summarised below.

Table 1: Provisional UoR Judgements

Key Line of Enquiry	2009
1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities	Yes
1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
2.3 Does the organisation promote and demonstrate the principles and values of good governance?	Yes
2.4 Does the organisation manage its risks and maintain a sound system of internal control?	Yes

Based on the UoR assessment above, we propose to provide an unqualified VFM conclusion.

Scoring scale:

- 1 - Below minimum requirements - inadequate performance
- 2 - Only at minimum requirements - adequate performance
- 3 - Consistently above minimum requirements - performing well
- 4 - Well above minimum requirements - performing strongly

2.3 Audit of the accounts

No accounting issues considered material to the reported financial position were identified during the course of our audit.

2.4 Adjusted misstatements

There were no misstatements identified by the Council during the course of the audit.

Our audit identified the following adjustments which have been processed by management:

The 2008/9 audit fee disclosed in the accounts had been overstated by £273. An amendment to the disclosure note has been made and the prior year comparative included in the Note.

A number of other presentation and disclosure adjustments have been agreed to improve clarity and presentation of the accounts which do not affect the reported financial position.

2.5 Unadjusted misstatements

There were no unadjusted errors.

2.6 Evaluation of key controls

The Committee was serviced by the Council's financial systems. We have evaluated the Council's key financial control systems as part of the audit planning process. This work was conducted primarily during the Interim Audit of the Council in April 2009. We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. We have documented the key control systems and undertaken tests to ensure that the system is operating as described. Compliance with key financial controls has been tested by the Council's Internal Audit Function and the findings have been presented to the Council. We have reviewed the work of Internal Audit and concluded that the scope and conduct of the testing was appropriate to provide adequate assurance on the effective operation of controls. We have therefore placed reliance on the work of Internal Audit in our evaluation of controls.

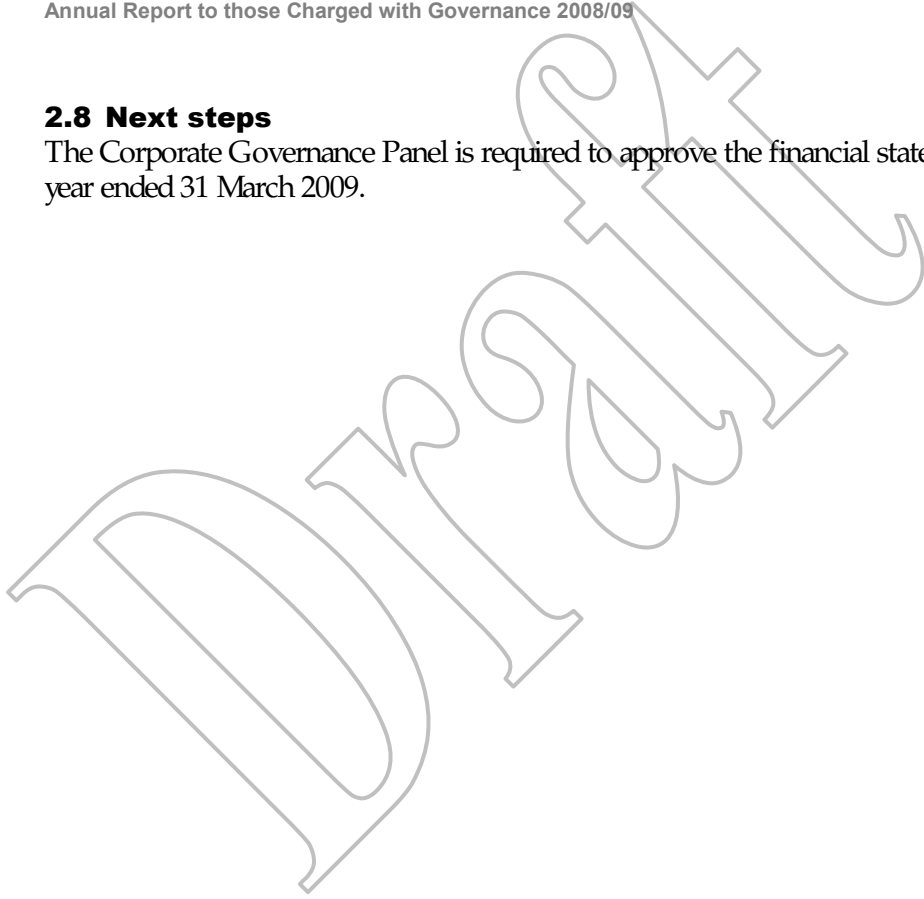
Our financial controls work did not identify any control issues which present a material risk to the accuracy of the financial statements. However, we did note a weaknesses with regard to the authorisation of journals. There is no authorisation or review process in place at the Council in respect of journals which can be posted by all accountancy staff. There is therefore an increased risk of errors or other misstatement arising from journal processing. We recommend that all journal entries should be reviewed and signed off by an independent officer prior to processing

2.7 Annual Governance Statement (AGS)

The Committee was required to comply with the Council's governance arrangements and we have examined the Council's arrangements and process for compiling the AGS. In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council and whether any specific issues relating to the Committee should have been highlighted. The draft AGS provided for audit was consistent with our knowledge of both the Council and the Committee.

2.8 Next steps

The Corporate Governance Panel is required to approve the financial statements for the year ended 31 March 2009.



A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
Independence	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"> • We are independently appointed by the Audit Commission. • The firm has been assessed by the Audit Commission as complying with its required quality standards. • The appointed auditor and client service manager are subject to rotation every 5 years. • We comply with the Auditing Practices Board's Ethical Standards. • We have not provided any non audit services.

ISA260 reporting requirement	Key messages
Audit Approach	<p>Our approach to the audit was set out in our 2008/09 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"> • We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors. • We have been able to place appropriate reliance on the key accounting systems operating at the Council for financial statement audit purposes. • In 2008/09, we have been able to place reliance on the work of internal audit.
Accounting Policies	<p>The Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies are in accordance with the Local Government Statement of Recommended Practice (SORP) 2008.</p> <p>The Corporate Governance Panel should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p> <p>We have considered the Committee's financial plans and its decommissioning at midnight on 1 April 2009 with the transfer of assets and liabilities to the Council as at this date. It was appropriate that the Committee continued to account on a going concern basis as at 31 March 2009 on the basis of the on-going operation of the Leisure Centre under the control of Huntingdonshire District Council.</p>
Material Risks	<p>We have requested, from the Council, a Letter of Representation, to state that there are no additional material risks and exposures as at 22 September 2009, which should be reflected in the financial statements.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the Council have been recognised in the accounts as at 22 September 2009.</p>

ISA260 reporting requirement	Key messages
Audit Adjustments	We have discussed with management adjustments to the accounts, primarily to improve the fair presentation of the financial statements, as well as the clarity and presentation of disclosure notes. These adjustments are summarised in paragraph 2.4.
Unadjusted Errors	There are no unadjusted errors.
Other Matters	We have identified a weakness in the Council's journal authorisation processes. This has been summarised in paragraph 2.6.

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St Neots Leisure Centre Management Committee

Audit of Accounts 2008/09
Annual Report to those Charged with Governance

September 2009

DRAFT

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Appendices

A Reporting requirements of ISA 260

1 Executive Summary

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

1.1 Purpose of the report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Corporate Governance Panel of Huntingdonshire District Council ('the Council'). The purpose of this report is to highlight the key issues arising from the audit of the St Neots Leisure Centre Management Committee's (the Committee's) financial statements for the year ending 31 March 2009.

Until 1 April 2009, the Committee operated in accordance with Huntingdonshire District Council's (the Council) Constitution. All employees of the leisure centre were Council employees and the leisure centre was administered by the Council using the Council's financial management systems, processes and procedures. The Committee was decommissioned on 1 April 2009, at which time, all of the assets and liabilities of the Committee were transferred to the Council.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Corporate Governance Panel. The requirements of ISA260, and how we have discharged them, are set out in more detail in Appendix A.

The Committee was responsible for the preparation of financial statements which record its financial position as at 31 March 2009, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Committee's financial statements 'present fairly' the financial position of the Committee at this date.

Under the Audit Commission's Code of Audit Practice, 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 Use of Resources ('UoR') audit work using criteria prescribed by the Audit Commission.

1.2 Status of Audit

We were presented with financial statements on 23 June 2009. We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice, and applicable auditing standards.

At the time of writing this report the following audit procedures are outstanding:

- Review of the Annual Governance Statement.
- Review of the final version of the statement of accounts, including cash flow statement and supporting notes
- Receipt of the signed management representation letter.

1.3 Overall conclusions

Financial Statements Opinion

We anticipate providing an unqualified opinion on the Committee's financial statements, following the acceptance of the accounts by the Corporate Governance Panel on 22 September 2009.

The Council prepared good quality accounts for the Committee and the overall quality of the working papers to support the 2008/09 accounts was of a good standard.

Use of Resources Conclusion

In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Committee's arrangements for ensuring economy, efficiency and effectiveness in its use of resources ('the Use of Resources conclusion').

Our Use of Resources conclusion is informed by our work on the UoR assessments. In order for us to provide a positive conclusion, the Committee has to achieve a 'yes' judgement against relevant Key Line of Enquiry (KLOE) criteria as determined by the Audit Commission.

At the time of writing this report, we expect to issue an unqualified VFM conclusion.

Further information on the outcome of our Use of Resources audit is contained in Section Two.

1.4 The way forward

The Corporate Governance Panel is required to approve the annual accounts of the Committee for the year ended 31 March 2009.

1.5 Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under ISA260, and should not be use for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

1.6 Acknowledgements

We would like to record our appreciation for the positive co-operation and assistance provided to us by the finance department and other staff at the Council during the course of our audit.

Grant Thornton UK LLP

8 September 2009

2 Detailed Findings

2.1 Introduction

This section provides a summary of findings arising from our audit of the financial statements. This includes matters arising from our evaluation of key controls.

2.2 Audit conclusions

Financial Statements Opinion

We anticipate providing an unqualified opinion on the Committee's financial statements, following approval of the accounts by the Corporate Governance Panel on 22 September 2009.

No issues arose during the audit that were material to the reported financial performance and require consideration by the Corporate Governance Panel.

Use of Resources Conclusion

Our Use of Resources conclusion is drawn from our work on the Audit Commission's assessment framework. In order for us to provide a positive conclusion, the Committee needs to achieve a 'yes' judgement against criteria determined by the Audit Commission to assess whether it has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our assessment for the Committee is summarised below.

Table 1: Provisional UoR Judgements

Key Line of Enquiry	2009
1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities	Yes
1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
2.3 Does the organisation promote and demonstrate the principles and values of good governance?	Yes
2.4 Does the organisation manage its risks and maintain a sound system of internal control?	Yes

Based on the UoR assessment above, we propose to provide an unqualified VFM conclusion.

Scoring scale:

- 1 - Below minimum requirements - inadequate performance
- 2 - Only at minimum requirements - adequate performance
- 3 - Consistently above minimum requirements - performing well
- 4 - Well above minimum requirements - performing strongly

2.3 Audit of the accounts

No accounting issues considered material to the reported financial position were identified during the course of our audit.

2.4 Adjusted misstatements

There were no misstatements identified by the Council during the course of the audit.

Our audit identified the following adjustment which has been processed by management:

The 2008/9 audit fee disclosed in the accounts had been overstated by £273. An amendment to the disclosure note has been made and the prior year comparative included in the Note.

A number of other presentation and disclosure adjustments have been agreed to improve clarity and presentation of the accounts which do not affect the reported financial position.

2.5 Unadjusted misstatements

There were no unadjusted errors.

2.6 Evaluation of key controls

The Committee was serviced by the Council's financial systems. We have evaluated the Council's key financial control systems as part of the audit planning process. This work was conducted primarily during the Interim Audit of the Council in April 2009. We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. We have documented the key control systems and undertaken tests to ensure that the system is operating as described. Compliance with key financial controls has been tested by the Council's Internal Audit Function and the findings have been presented to the Council. We have reviewed the work of Internal Audit and concluded that the scope and conduct of the testing was appropriate to provide adequate assurance on the effective operation of controls. We have therefore placed reliance on the work of Internal Audit in our evaluation of controls.

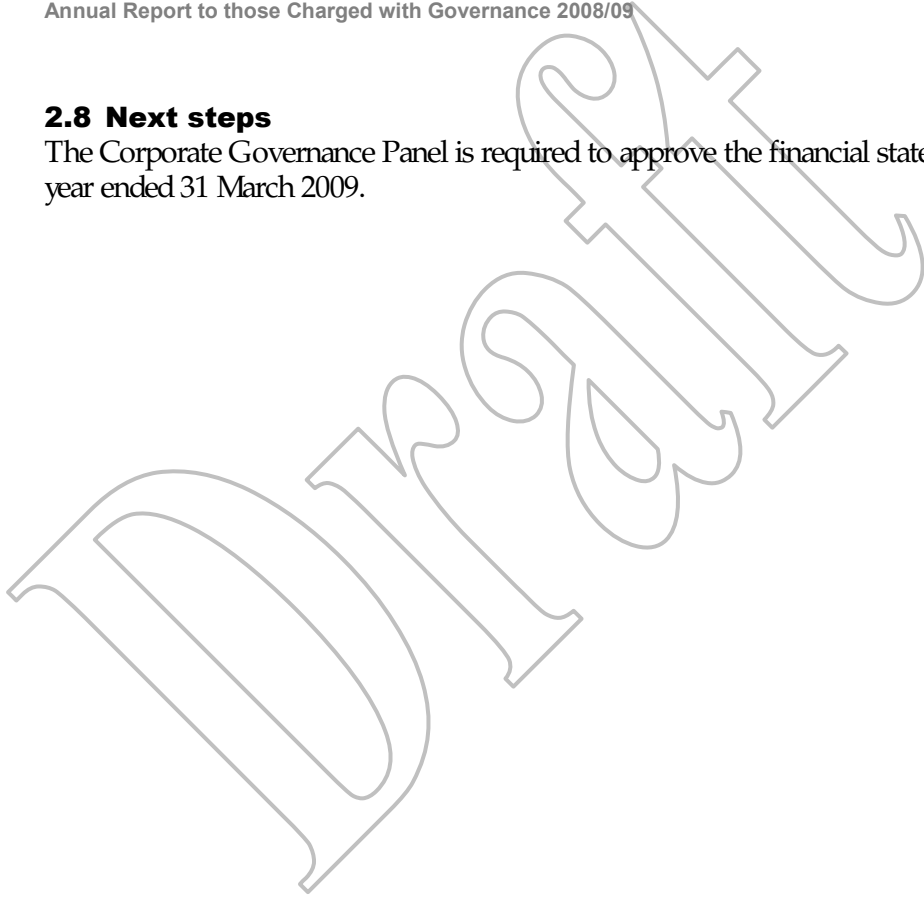
Our financial controls work did not identify any control issues which present a material risk to the accuracy of the financial statements. However, we did note a weakness with regard to the authorisation of journals. There is no authorisation or review process in place at the Council in respect of journals which can be posted by all accountancy staff. There is therefore an increased risk of errors or other misstatement arising from journal processing. We recommend that all journal entries should be reviewed and signed off by an independent officer prior to processing.

2.7 Annual Governance Statement (AGS)

The Committee was required to comply with the Council's governance arrangements and we have examined the Council's arrangements and process for compiling the AGS. In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council and whether any specific issues relating to the Committee should have been highlighted. The draft AGS provided for audit was consistent with our knowledge of both the Council and the Committee.

2.8 Next steps

The Corporate Governance Panel is required to approve the financial statements for the year ended 31 March 2009.



A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
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Statement of Accounts For the year ended 31 March 2009

Chairman of the Council 2008/09	Councillor J Davies
Leader of the Council 2008/09	Councillor I C Bates
Executive Councillor for Finance 2008/09	Councillor T V Rogers
Chief Executive	Mr D Monks
Director of Commerce and Technology	Mr T Parker
Auditors	Grant Thornton UK LLP

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Introduction and Financial Summary

INTRODUCTION

In order to ensure that the financial accounts of local authorities are reliable, comparable and understandable a Statement of Recommended Practice (SORP) has been created which sets out how they should be prepared and what they must include. The Council's external auditors, appointed by the Audit Commission, ensure that Huntingdonshire's accounts comply with this SORP and that they 'present fairly' the financial position and transactions of the Council.

The SORP is updated annually to reflect the latest national and international developments. The section on Accounting Policies gives some explanation of the main aspects. The changes this year are not significant.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2008 to 31 March 2009. It includes an Annual Statement on Governance which describes how the Council ensures that proper standards are maintained and that there is effective stewardship of public money.

The first account is the Income and Expenditure Account which shows the total costs of providing the Council's services and how they were funded. This is based on the SORP but the Government has defined certain adjustments, mainly relating to pensions and capital financing, that can be made to reduce the amount that Council Tax payers must meet and these are shown in the Statement of Movement on the General Fund Balance.

The Balance Sheet summarises the Council's assets and liabilities at the end of the year (31 March 2009) and the Cash Flow Statement sets out where the money came from and how it was spent. Explanatory notes give greater detail.

There is a separate account for the Collection Fund which shows the amounts collected from Council Tax and Business Rate payers. It shows the sums passed to the Government (business rates) the County Council, the Fire and Police authorities and Town and Parish Councils together with any surplus or deficit.

A section is also included which explains the current position on the Pension Fund.

FINANCIAL SUMMARY 2008/09

The paragraphs below highlight the key points relating to the Council's financial position recorded in the accounts. They are followed by a simplified versions of the Income and Expenditure account.

Revenue Spending

The original budget had a deficit of £1.6m which it was planned to fund from reserves. The Council has spent £470k less than expected, though £274k of spending on projects has been deferred to 2009/10. £1.2m of reserves will therefore be needed to cover the deficit.

The main items leading to the lower spending this year were additional investment interest (-£329k), extra recharges to capital (-£270k), leisure centre savings (-£245k), extra government grant (-£150k), full recovery of VAT (-£105k) and deferred schemes (-£274k). This has been significantly off-set by additional concessionary fares costs (+£257k), and reduced income (+£587k) from land charges, car parks, planning and rents.

2007/08	Revenue spending	2008/09		
Outturn		Budget	Outturn	Variation
		£000	£000	£000
17,078	Net Expenditure	20,420	19,950	-470
	Funded from:			
-11,650	Government Support (RSG + NNDR)	-12,158	-12,158	0
-6,326	Council Tax	-6,668	-6,668	0
7	Collection Fund Deficit	28	28	0
891	Deficit funded (-) from Reserves *	-1,622	-1,152	-470
-17,078		-20,420	-19,950	

*General Reserve and Delayed Projects Reserve

Capital Spending

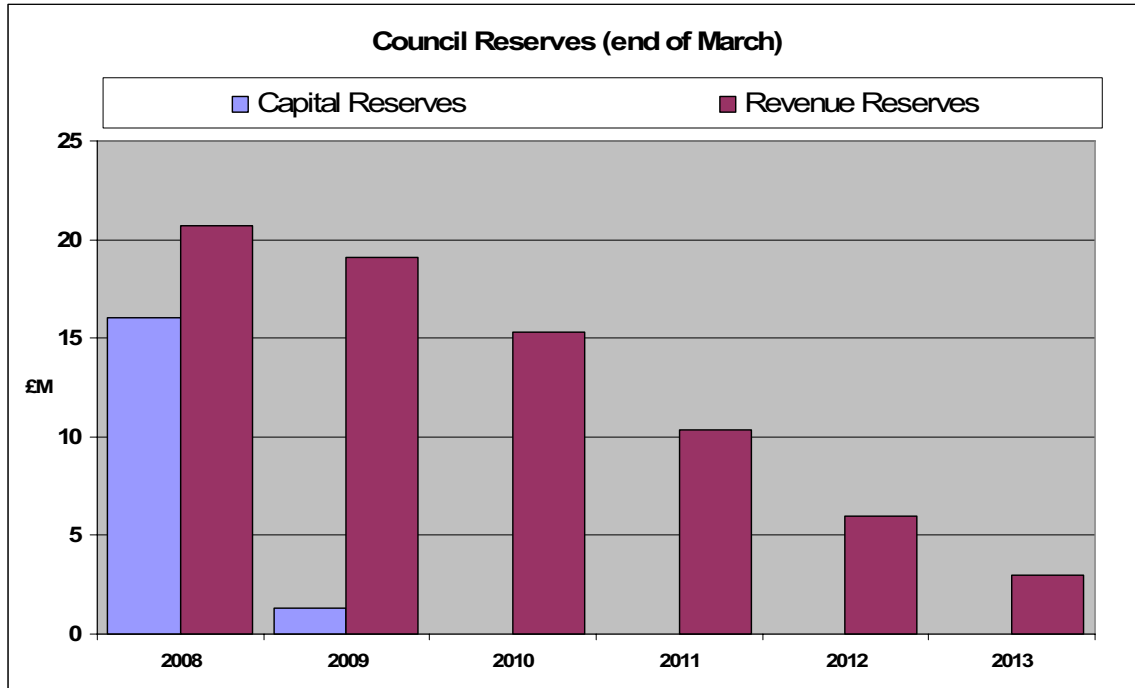
The original net budget was for £16.2m and assumed that there would be schemes brought forward from 2007/08 of £1.3m and, due to the high level of spending, a carry forward to 2009/10 of £2m. Progress on schemes has been much better than expected with only £1m being brought forward at the start of the year and, after allowing for savings of £0.4m and additional recharges from revenue to capital of £0.4m, only £0.3m of schemes need to be deferred to 2009/10.

Capital Spending	2008/09 £000
Environmental Services	219
Industrial and Economic Development	1,667
Parks and Countryside	766
Leisure Centres	2,919
Community Grants	156
Housing	3,856
Community Safety	162
Highways and Transportation	1,515
Vehicles and Plant	130
Office accommodation (new Customer Services Centre and Offices in St Mary's Street)	6,989
IT	1,266
Other	318
Gross	19,963
Less external contributions and capital grants	-3,081
Net	16,882
Funded from	
Capital Reserves (capital receipts)	16,434
Borrowing	447
Revenue	1

Reserves

As a result of these levels of revenue and capital spending, our reserves have fallen by over £17m in the last year, £16m capital and £1.2m revenue. Capital reserves are virtually exhausted and so future capital expenditure will need to be financed from borrowing.

The Council's last financial forecast was produced in February and showed revenue reserves falling to £3m (our current estimate of the minimum level required) over the next few years as shown in the chart below:



The forecast will be reviewed again in September to take account of the latest information including the 2008/09 outturn.

Balance Sheet Adjustments

There have been some significant changes in the Balance Sheet this year relating to Capital Impairment, Long Term Borrowing and the Pensions Reserve.

Capital Impairments or reductions in asset values are caused by one or a combination of the following items. Firstly, falling rental values due to economic downturns such as we are currently facing. Secondly, where a completed capital project, normally a building, is valued at a lower sum than it cost to construct because the building had been designed to meet a specific Council need for which there may no or very limited market demand for the specific configuration or size. This occurred when Eastfield House was completed due to few organisations needing that particular mix of depot and office requirements. Finally when a building is falling into disrepair or is demolished.

All the Council's properties were revalued as at 1 April 2009 and whilst there were increases in value of £7.6m there were substantial impairments of £20.1m. Of this sum

£11.4m related to Pathfinder House (new building and demolishing of old building) and £6.1m to the Council's commercial and industrial properties. Impairment is normally charged to services in the final accounts unless they are deemed to be exceptional because of their nature and/or scale. The Eastfield House adjustment last year and the Pathfinder House adjustment this year have been treated as exceptional to recognise that they were predominantly not due to the general fall in rental values and to avoid the major distortion that would arise when office/depot costs are allocated to the majority of Council services thus making comparison with other authorities impossible.

Following discussion with the Council's external auditor, the Council decided to borrow long term funds, in anticipation of Capital Reserves running out, if the interest rates were particularly low. Rates were very low in January and so £10m was borrowed.

The pension fund's actuary reviews the adequacy of the pension fund to meet future liabilities each year. This year he has taken into account the additional employee's contributions, assumptions about longevity and the impact on the funds investments from falls on the stock market resulting from the recession. The net effect is that the eventual forecast deficit has risen from £19m to £30m. In the short and medium term there are adequate funds to meet all pension payments.

Such calculations tend to be, rightly, cautious but investments are predominantly in the stock market because, over the long term, returns have been good. If this continues to be true then future valuations will improve.

There are more detailed valuations of the Pension Fund every three years and these result in changes to the employer's contribution rate so that the Fund will become sufficient in the long term. The rate for 2008/09 was 16.3%, an increase from 14.3% the previous year, and the Council's MTP already provides for increases in 2009/10 and 2010/11 resulting from the last valuation.

Treasury Management

In June, the Council's Cabinet will receive a report on Treasury Management activity during 2008/09. It explains how the Council considered the most effective way to invest its funds in the light of the problems with Icelandic banks. The view was taken that institution with high credit ratings and UK building societies should continue to be used as the Government has a history of protecting building societies (recently reinforced when the Dunfermline BS got into difficulties). The report also highlights that the Council's investments exceeded their benchmarks – in-house by 1.8% and our external fund manager by 0.8%.

SIMPLIFIED REVENUE INCOME AND EXPENDITURE ACCOUNT

The following table shows a simplified combination of the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

2007/08 Actual	Revenue Income and Expenditure	2008/09 Actual	
£000		£000	£000
69,891	Gross Expenditure	88,145	
-11,978	Less government prescribed adjustments**	-24,030	
57,913			64,115
	Income and other items		
-7,432	Fees and charges	-8,313	
-29,710	Government grants including reimbursement of housing and council tax benefits	-32,800	
-2,742	Investment Income	-2,491	
-580	Trading undertakings deficit (+) / surplus (-)	-363	
-40,464			-43,967
17,449	Total to be funded		20,148
	Funding		
-6,319	Council Tax	-6,640	
-2,045	General Government Grants	-1,685	
-9,976	NNDR from national pool	-10,671	
-18,340			-18,996
+891	Surplus to or deficit (-) met from reserves		-1,152
	Revenue Reserves used (-)		
+1,171	General Revenue Reserves	-1,091	
-280	Provision for delayed projects	-61	-1,152

**The most significant of the Government prescribed adjustments are the removal of:

- the depreciation, impairment and deferred charges relating to capital assets
- extra costs included for retirement benefits in excess of the normal employer's contributions.

CONCLUSION

The Council has been independently judged as "excellent" overall and continues to perform well in its use of resources despite the test becoming more difficult. It continues to focus its service developments on those areas that local people see as a priority.

It has a robust Medium Term Plan and Financial Forecast through until 2023/24 to ensure that future spending fully takes account of its longer term implications. A future need for spending adjustments through extra grant income, increased fees and charges, efficiency improvements and service adjustments has been identified. Lower spending than expected in 2008/09 gives more flexibility to plan these adjustments. The delivery of these targets will balance service delivery with limited increases in the Council Tax.

Terry Parker
Director of Commerce & Technology
22 September 2009

Statement of Accounts approved by the Corporate Governance Panel
Chairman: **Cllr. C Stephens**
22 September 2009

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

An Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Commerce and Technology
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts by 30 June 2009

The Responsibilities of the Director of Commerce and Technology

In preparing this Statement of Accounts which present fairly the financial position of the Authority at 31 March 2009 and its income and expenditure for the year ended 31 March 2009, I have:

- Selected suitable accounting policies and applied them consistently
- Made judgments and estimates that were reasonable and prudent
- Complied with the SORP
- Kept proper accounting records which were up to date
- Taken into account, where appropriate, any post-balance sheet events
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

Terry Parker

Director of Commerce and Technology

22 September 2009

Annual Statement on Governance

Huntingdonshire District Council is responsible for ensuring that –

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

In carrying out these duties, Members and employees are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at <http://www.huntsdc.gov.uk/Councils+and+Democracy/Council/Code+of+Corporate+Governance.htm> and hard copies are available on request from the Policy & Strategic Services Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies 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 Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

- focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.
- Members and employees working together to achieve a common purpose with clearly defined functions and roles.
- promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- developing the capacity and capability of Members and employees to be effective.
- engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2009 and up to and including the date of approval of the statement of accounts.

The Council's powers and duties of Council, Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal Audit which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approve the annual statement in that respect.

In turn the Council's Head of Law, Property & Governance and 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
- reviewing and reporting 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 key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

1. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website

At <http://www.huntsdc.gov.uk/NR/rdonlyres/0C4046F2-C533-437B-B16A-C2BAE99C03C1/0/CommunityStrategy.pdf>. The Strategy was reviewed and re-adopted by

the Council in September 2008. In addition the Council's Corporate Plan, "Growing Success", sets out our vision and our purpose in the context of the Community Strategy. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. In turn, both "Growing Our Communities" and "Growing Success" are supported by a series of Plans and policies to achieve the vision and aims for Huntingdonshire. These Plans are supported by a comprehensive performance management framework which monitors the achievement of targets and measures.

The Council's Communications & Marketing and Consultation & Engagement Strategies are used to promote and guide communications and engagement with local residents and to ensure that the vision and supporting plans are shared with local residents and other stakeholders. Extensive consultation and engagement has been used to develop

the plans and regular surveys are carried out to gauge satisfaction with the achievement of the vision.

2. Roles & responsibilities

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and local residents by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

A Member-led cross party review of the Council's democratic arrangements was undertaken in 2008/09 that evaluated the Council's performance since the adoption of the current structure, the implications of change necessitated by the Local Government and Public Involvement in Health Act 2007 and the emerging themes of strengthening local democracy in recent Government consultation documents and guidance.

The review concluded that the existing structure had worked well since its inception and the principles of the executive/scrutiny split had become embedded in the organisation. Nevertheless, the Council agreed various changes to promote local democracy and community engagement in the process, involving –

- a new look to Council meetings with headline debates, Cabinet 'white paper' proposals, monitoring of LAA performance, public question time and evening meetings;
- public consultation on a move to an executive leader in 2011;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;
- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IDeA Member Development Charter to enhance support for elected councillors.

Cabinet

Chaired by the Leader of the Council, the Cabinet has responsibility for all executive functions of the authority. Having moved to monthly evening meetings following the review of the democratic structure, the Cabinet is now better placed to consider reports and recommendations from Overview and Scrutiny Panels that meet earlier in the month.

Portfolios of executive responsibilities are allocated by the Leader to seven executive councillors with the Deputy Leader now concentrating on a supportive function with specific responsibility for Member development and achievement of the IDeA Member Development Charter.

Key decisions, defined as issues involving income/expenditure of £50,000 plus or that affect two or more wards, are listed in a Forward Plan publicised four months in advance with executive decisions published within three days to facilitate potential call-in by scrutiny.

The arrangements for delegated decision making, the conduct of business at meetings etc. are defined in Cabinet procedure rules contained in the Council's constitution.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Social Well-Being, Environmental Well-Being, and Economic Well-Being) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution. The composition of the three Panels reflect the three main principles of the Sustainable Community Strategy.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any Joint Committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- scrutinise the performance of partnerships in relation to LAA targets and crime and disorder;
- exercise the Councillor "call for action" arrangements;
- consider any matter affecting the area or its inhabitants; and
- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a Committee of the Cabinet or a key decision made by an Officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place. An annual report for 2008/09 has been put on hold for the current year as a result of the changes arising from the restructuring of the overview & scrutiny panels, implementation of partnership scrutiny and resourcing issues

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- ensuring that the financial management of the Council is adequate and effective;
- approving the Council's statement of accounts;
- ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk;
- considering the Council's Code of Corporate Governance and approving the annual statement in that respect;
- determination of the Council's feedback procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence; and
- receiving and considering the external auditor's reports including the Annual Report to those charged with Governance and the Annual Audit Letter.

3. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council.

Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests.

A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints about standards of behaviour and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. Since May 2008 the monitoring officer has received and dealt with 19 complaints of which 2 were referred for further investigation, no action was necessary in 3 cases and the remainder were referred to the monitoring officer for further action, such as training. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were set by the Council in February 2007 to come into effect in May of that year. A further review by the Independent Remuneration Panel is therefore not required until 2011.

During the year a total of £389,000 was paid to 52 Councillors, the basic allowance being £4,100 per annum. In addition Councillors can claim a limited range of travel and sundry expenses. A total of £448,000 was paid during the year.

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at the rate of 10p & 17p per mile. In total £ 10,700 of expenses were reimbursed.

4. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and employees, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities. Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy. A biennial review of the constitution was undertaken in 2009, together with a Member led review of the Council's democratic arrangements which resulted in a number of changes.

5. Capacity and Capability

Members

The Council has signed the IDeA Member Development Charter and is preparing an Action Plan to achieve Charter status. Role descriptions have been introduced for all Executive Councillors, other Councillors in receipt of special responsibility allowances, political group leaders and Ward Councillors

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on

Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

Licensing Committee/Panel
Development Management Panel
Standards Committee
Overview & Scrutiny Panels
Corporate Governance Panel.

Employees

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition corporate training programs such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

- ensures it has sufficient cash to meet its day-to-day obligations
- borrows when necessary to fund capital expenditure, including borrowing in advance when rates are considered to be low
- invests any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk.

The following is an extract from the 2009/10 Strategy produced in January 2009:

Risks associated with investments

The collapse of the Icelandic Banks in October 2008 resulted in the Capital Receipts Advisory Group (CRAG) reviewing its appetite for risk as regards counterparties that the Council would be willing to invest with. Whilst investments could be made with the Government's Debt Management Office which are theoretically risk-free, as they are backed by the Government, there is a significant downside to this level of safety in that the rates offered have been up to 2% below the market rate – a major issue when base rate itself is only 2%.

Following detailed discussion, CRAG recommended that the, then current, counterparty list of banks and building societies should continue to be used. They felt that Building societies are such key financial institutions within the UK that if one got into financial

difficulties it would either be taken over by another building society or supported by the Government. They also have a significant proportion of their funds covered by retail savings so are less at the risk of market volatility.

Whilst we have a reasonable number of institutions to invest with, the list reduces every time a bank or building society is taken over by another institution. It is possible that the level of borrowing in anticipation of future needs could become limited by the availability of acceptable counterparties. This will be monitored closely.

Although many organisations rely on credit ratings to determine suitable counterparties and the Government advice refers to bodies with a “high” credit rating, recent events have shown that ratings are not totally reliable. The following changes have been made to mitigate this risk but they still only reduce it rather than remove it:

- The Council’s Treasury Management advisors (Sterling) provide notice of institutions where the credit rating agencies have indicated a ‘rating watch’ which indicates that there may be a concern over the long-term stability of the bank or building society. These will often result in the counterparty being immediately removed from our list.
- Country limits have been set of £6M for non-EU countries, £10M for individual EU countries and £20M for EU in total. The EU limits exclude the UK.
- For shorter term investments the short-term credit rating is the most relevant, however as we may be investing in the medium-term when we have borrowed in advance it is prudent to take long-term credit ratings into account for any investment longer than 1 year. These should be A- or higher (FITCH) or the equivalent with other rating agencies.”

Subsequent Restrictions

In order to manage risk whilst maintaining acceptable returns the following additional limitations have been introduced:

- Even if borrowing rates appear to be particularly good value compared with current and expected trends, any additional forward borrowing to finance the Council’s MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.
- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.
- Investments will not normally be for longer than one month.
- It is considered that the action taken when the Dunfermline Building Society got into difficulties endorsed the view that Building Societies will be protected by the Building Society industry or the Government and we have also been advised that the Dunfermline was in a much weaker position than the other Societies.

7. Internal Audit

Internal audit work 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. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

In respect of the 12 month period ending 31st August 2009, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, ... the controls operated by management are currently adequate"

8. Whistleblowing and Benefit Fraud

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Fraud Team have been selected as finalists in the national awards organised by the Institute of Revenues, Rating and Valuation for 'Excellence in Anti Fraud' and will hear whether they are the winners at the IRRV annual conference in October

9. Complaints Procedure

The Council has adopted a feedback procedure which is in place to identify and deal with failure in service delivery. Complaints, or feedback to help service improvement, can be made in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA and FOI

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by the Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in December 2008. For 2007/08 the Council has achieved a Use of Resources Assessment '3' score for the internal control theme, which includes risk management. A risk register is in place which is used to inform the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members

12. Assurance Framework

To ensure that the Council is complying with its Governance arrangements and meeting the requirements of the Code (as set out in the principles, core principles and specific requirements) an Assurance Framework in the form of an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan;
- continued reference to systems and reporting as necessary to provide assurance and support for good governance; and
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

13. Assurance

In March 2009 the CGP in taking account of the guidance issued by CIPFA in Jan 2009 agreed that the annual review of Governance arrangements will include the annual review of the effectiveness of the system of internal audit. The system of internal audit provides the framework of assurance necessary to satisfy the Council that the risks to its

objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;
- the risk register and assurance on the operation of key controls;
- the Council's performance management framework revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success" in September 2008;
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- arrangements which have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2008/09 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the actions from external audits.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives, improve efficiency and achieve savings. A Partnership evaluation framework, including the criteria for the good governance of partnerships identified by the Audit Commission report "Governing Partnerships: Bridging the Accountability Gap" has been developed. The framework balances the need for appropriate governance of partnerships which reflect their cycle of development to ensure that innovation and new ways of working are not stifled by over-burdensome procedures, while at the same time ensuring that arrangements exist which are compatible with the governance needs of the Council. Using the framework the Council has undertaken an initial assessment of partnerships and a (3 year) programme is being implemented to continuously review and develop strategic and operational partnerships.

In addition the Council is actively involved in developing governance of County-wide partnerships, supporting the delivery of a Local Area Agreement (LAA). There is a continuing debate and review to ensure that Cambridgeshire Together and supporting structured – the partnership charged with ensuring the LAA - has appropriate governance arrangements.

15. Annual Audit and Inspection Letter: (March 2009)

The Annual Audit & Inspection Letter for 2007/08, provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

“Huntingdonshire District Council is improving outcomes in most areas that matter to local residents. Improvements continue to be made in environmental services, particularly in recycling and composting, and in keeping the district clean. Crime levels continue to reduce and remain low. The Council works well in many partnerships. It works effectively with its partners to improve job opportunities for local residents and acts well with other councils on enforcement issues and promoting recycling. Access to services has improved with the opening of a new customer service centre. Enhanced focus on migrants and new arrivals is assisting them to access Council services more effectively. The Council performs well in delivering value for money. But numbers of affordable houses completed has decreased.

Progress is being made on sustaining improvement. A range of plans have been adopted which clearly link to Council and community priorities. Objectives are being achieved, for example delivering choice based lettings. Plans and service development are based on needs identified through consultation. Capacity is being strengthened through joint working. Actions to address poorer performing services, such as planning, have delivered improvements”.

The Annual Audit and Inspection Letter highlighted two areas where action is needed by the Council:

- maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
- develop a stronger focus on outcomes measures.

The Annual Audit and Inspection Letter is available on the Council's website; http://www.huntsdc.gov.uk/NR/rdonlyres/6334B36A-3B71-46E3-B56D-514364A0FE21/0/audit_inspection_letter_march_2009.pdf and from the Head of People, Performance & Partnerships.

The Use of Resources Assessment is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council's priorities and to improve services.

The Use of Resources Assessment for 2007/08 covers five themes, each of which were assessed on a 1 – 4 scale, 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:-

Theme	2006/07	2007/08
Financial reporting	3	2
Financial management	3	3
Financial standing	3	3
Internal control	2	3
Value for money	3	3
Overall	3	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

For 2008/09 and as part of the Comprehensive Area Assessment (CAA – a new framework for assessment of local public services) a new organisational assessment has been introduced. The organisational assessment has two elements, Use of Resources assessment and Managing Performance (formerly known as the Direction of Travel).

The Use of resources assessment has three themes - Managing Finances, Governing the Business and Managing Resources. The Key Lines of Enquiry (KLOE) that support these themes are very similar to the previous framework with the exception of the KLOE that supports the theme Managing Resources, this is a new KLOE.

The emphasis of the assessment has also changed to one which is now focusing on the outcomes delivered as apposed to the systems and processes in place and consequently it is classed by the Audit Commission as a “harder test”. Therefore, to achieve a level 2 or 3 for the new assessment will be far more challenging.

The Use of Resources assessment will still be scored on the same scale of 1 to 4 and merged with the Managing Performance assessment, which will also be scored for the first time using the same 1 to 4 in order to provide an overall organisation score.

A self assessment for both the Use of Resources and Managing Performance assessment has been submitted to our external auditors. These assessments will feed into the CAA assessment with the results being made available in the autumn 2009.

Development areas identified by external organisations/inspections or by the Council are incorporated into the Council’s overall Improvement Plan. Progress on the achievement of this Plan is monitored by the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

- Put in place effective arrangements to identify and deal with failure in service delivery.
 - The corporate complaints system has been recast as part of a wider feedback system, which has been adopted by the Corporate Governance Panel in December 2008. The changes include the introduction of formal procedures to monitor and analyse feedback and to implement any necessary changes

- Tackle areas of comparative under performance
 - Overall performance as measured by performance indicators is positive, with 67 per cent of the Council's performance indicators in 2007/08 improving against an all district average of between 57 and 59 per cent. This reflects its improvement over the last three years, with 66 per cent of indicators improving. In 2007/08, 33 per cent of the Council's performance indicators were amongst the best in the country, an improvement on 2006/07 and matching the average for district council
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.
 - Performance has been consistently improving; for the 12 month period to July 2009, 68% of agreed audit actions have been introduced on time against the benchmark of 60%; and overall, 84% have been completed.
- Delivery of the Review of Council structure being led by Cabinet Member
 - The Review of the Council's democratic structure was adopted by the Council in April 2009. Changes to internal systems & processes have been implemented from the new municipal year. Community engagement proposals are subject to consultation with partners for implementation later in 2009/2010.
- Review of the Constitution to address any issues not dealt with in the structural review.
 - The biennial review of the Constitution has been undertaken and changes approved by Council in June 2009.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
 - Significant progress has been made in achieving the Council's improvement plan. An update on progress is monitored through the Comprehensive Performance Management Framework and considered quarterly by Cabinet.
- Undertake Partnership review programme
 - The framework, guidance and evaluation criteria have been revised to be more 'fit for purpose', and to better support and inform the current CAA process and was approved by COMT in July this year. In addition, a revised partnership list for evaluation purposes has been compiled with the feedback from Heads of Service and Activity Managers. The list consists of those partnerships which are considered to have a significant impact on the delivery of the strategic and operational priorities within the Sustainable Community Strategy and Growing Success. Work on the evaluation of these partnerships will commence in the autumn.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year -

- Code of Procurement
 - There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. Steps will be taken to improve the level of compliance.
- HSP evaluation
 - New guidance has been issued by the Audit Commission to help in the assessment of the Governance arrangements and effectiveness of the Local Strategic Partnerships. Consideration will be given to how this guidance can be implemented in conjunction with the Councils own Partnership framework.
- Audit Letter recommendations
 - maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
 - Develop a stronger focus on outcomes measures.
- Scrutiny Annual Report
 - Following changes to Overview and Scrutiny to ensure an Overview and Scrutiny annual report reflecting their work during 2009/10 is prepared to for publication.

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

Signed:
Ian Bates, Leader of the Council

Signed:
David Monks, Chief Executive

I hereby confirm that the Council's Corporate Governance Panel have approved the Governance Statement

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

Pathfinder House
St Mary's Street
HUNTINGDON
Cambs PE29 3TN
September, 2009

Auditor's Report

Independent auditor's report to the Members of Huntingdonshire District Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Huntingdonshire District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the Collection Fund] and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Huntingdonshire District in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Huntingdonshire District Council and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Commerce and Technology and auditor

The Director of Commerce and Technology's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all

aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Huntingdonshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Winrow
Senior Statutory Auditor

For GRANT THORNTON UK LLP
Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

22 September 2009

Accounting Policies

1. **General**

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2008* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflects the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAPs) applicable to Local Government. The main policies adopted in compiling the accounts are set out below.

2. **Accounting Concepts**

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- accrual of income and expenditure – placing items in the year they relate to rather than the year they take place.
- primacy of legislative requirements – legislation overrides standard accounting practice

The concepts of consistency and prudence are also followed where they do not conflict with the application of these underlying concepts. The accounting statements are prepared with the objective of presenting fairly the financial position and transactions of the authority.

Accounts are prepared under the historic cost convention, modified by the revaluation of land and buildings and the use of fair values for home improvement loans. Investments are included in the balance sheet at market value but their fair value is shown in note 31

3. **Amounts due (Debtors) and amounts payable (Creditors)**

In the accounts, income and expenditure items are included in the year to which they relate, rather than the year in which cash payments are made or received, by the creation of debtors and creditors. Most of these sums are based on detailed records so no material estimates have had to be included.

4. **Revenue Expenditure funded from Capital under Statute**

From 2008/09 "deferred charges" are recategorised as "revenue expenditure funded from capital under statute". They represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

5. Intangible Fixed Assets

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

6. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Non-operational assets - market value
- Other land and buildings (operational assets used for delivery of services) – market value
- Other land and buildings (specialised properties)- depreciated replacement cost
- Vehicles, plant & equipment and infrastructure assets - depreciated historical cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account

- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The balance of receipts is credited to the Capital Reserve, and can then only be used for new capital investment or to repay borrowing. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance (SMGFB).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the SMGFB.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for land, community assets and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Operational Buildings - 50 years (less if there is evidence to the contrary)
- Vehicles – 25% reducing balance
- Plant and equipment – straight line basis
- Infrastructure – variable depending on the asset to a maximum of 40 years
- Land – Depreciation not charged
- Community Assets - Depreciation not charged
- Non-operational Assets - Depreciation not charged

- 7 **Grants and contributions:** where grants and contributions are received for operational fixed and intangible assets, the amounts are credited to the Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them. For grants and contributions received for non-operational assets or items treated as revenue expenditure funded from capital under statute (see note 4 above) they are credited to the asset account in the year they are received thus reducing the net cost of the asset.

8. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, starting in 2009/10, the year following its first use of borrowing to fund capital expenditure it must make an annual provision to repay this borrowing. The basis for this provision is significantly restricted by legislation and the Council is required to formally approve a policy for the calculation of this provision within the significant limitations of the legislation and this will be dealt with at its September 2009 meeting ready for implementation in the 2009/10 accounts.

Depreciation, impairment losses and amortisations will therefore be replaced by this provision in the SMGFB, by the way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

9. Leases

Finance leases. The Council has no finance leases in primary rental. The leases are for industrial units and certain items of equipment leased from Finance Companies. They are capitalised and included in the fixed assets shown on the balance sheet. They are accounted for using the policies applied to tangible fixed assets.

Operating leases. The Council leases cars for individual employees and for pool cars. Operating lease rental is charged to revenue in the year it is payable under the terms of the lease.

10. Stock and Work in Progress

The value of stock is included in the accounts at the lower of cost and net realisable value. Work in progress is included at cost

11. Reserves

The Council maintains reserves to meet certain types of expenditure, for future policy purposes and to cover contingencies; they are included in the balance sheet as the General Fund Balance, Capital Reserve and Earmarked Reserves. They are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure is incurred that is to be financed from a reserve, it is charged to the relevant service revenue account and therefore included in the Income and Expenditure Account. The reserve is then transferred back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

However there are other reserves, the Capital Adjustment Account, Revaluation Reserve, Financial Instruments Adjustment Account and Pensions Reserve, that cannot be used to finance expenditure.

12. Interest Receipts

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve.

13. Pensions

Cambridgeshire County Council administers the Local Government Pension Scheme in which Huntingdonshire District Council's employees may participate; it is accounted for as a defined benefits scheme. The accounting policy is to recognise the full liability that the Council has for meeting the future cost of retirement benefits arising from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated; this meets the requirements of FRS17.

The opening balance on the Balance Sheet has been restated to comply with the latest requirements.

Details of the Council's expenditure, income, assets and liabilities relating to The Local Government Pension Scheme, are given on pages 64 to 68.

14. Revenue Grants

Grants and subsidies have been credited to the appropriate revenue account and accruals have been made for balances known to be receivable for the period to 31st March 2009. Government grants to cover general expenditure are credited to the Income and Expenditure Account. These include the Revenue Support Grant and for 2008/09 Area Based Grant (ABG) which replaces the Local Area Agreement Grant.

15. Allocation of Support Services

The costs of overheads and support services are charged to services on the basis of use in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008*. The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non-Distributable Costs – for example the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

FRS 15 requires part of the overheads relating to staff time spent on capital projects being treated as a revenue charge to the service rather than a charge to

the capital project, A change in accounting policy was adopted in 2008/09 to comply with this.

16. Value Added Tax

VAT is not included in the income and expenditure accounts (revenue and capital) unless it is not recoverable, in which case it is charged to the relevant service. Historically some VAT relating to exempt services has not been recoverable but full recovery was temporarily permitted in 2007/08 and 2008/09.

17. Contingent assets and liabilities

If a liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated, the liability is disclosed as a contingent liability. Similarly contingent assets are not included in the accounts but disclosed as notes.

18. Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (e.g. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (e.g. equity investments)
- Fair value through the Profit and Loss – assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or a derivative.

The Council only has items in the Loans and receivables category.

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Council has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end, taking into account the nature, value and age of debts and historic losses for similar groups of assets. Bad debts are written off when they are identified. Debtors falling due after more than one year are classified as long-term assets, which include housing improvement loans and housing advances.

Cash and equivalents

Cash and equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Investments

The Council has both long and short-term investments with various financial institutions. Investments are carried at their amortised cost. The fair value of investments is determined by discounting the future cash flows using a relevant

market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date.

However, the Council has made loans for home improvement which are interest-free (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans in the Income and Expenditure Account is managed by a transfer to the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

19. Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost.

Creditors

Creditors are carried at their original invoice amount

Bank overdrafts

Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand.

Long term loan

Loans with the Public Works Loans Board are carried at their amortized cost but with the fair value disclosed as a note

Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values

GLOSSARY OF TERMS

Actuarial Assumptions – these are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation – the gradual write off of initial costs of intangible assets.

Bad Debt Provision – bad debts are amounts owed to the Council which it does not believe will ever be paid back to them. The Council makes a provision for the amount of bad debt it expects to occur.

Capital Contract – this is a contract the Council has with a company to carry out major building or construction work that will take a significant amount of time.

Capital Adjustment Account – the account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts – income received from selling fixed assets.

CIPFA – this is the Chartered Institute of Public Finance and Accountancy. This is an institute that represents accounting in the Public Sector.

Contingent Liabilities – these are amounts that the Council may be, but is not definitely, liable for.

Council Tax – a tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors – these are people or organisations which the Council owes money to for work, goods or services which have not been paid for by the end of the financial year.

Current Assets – these are assets that are held for a short period of time, for example cash in the bank, stocks and debtors.

Debtors – sums of money owed to the District Council but not received at the year end

Depreciation – the amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of a fixed asset value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves – money set aside for a specific purpose.

Finance Lease – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease owns the asset then this is known as a finance lease (see also operating lease).

Fixed Assets – tangible assets that give benefit to the District Council and the services it provides for more than one year.

FRS – financial reporting standard

Government Grants Deferred Account – the value of grants and other external contributions towards capital expenditure which has not yet been written down to the revenue account as the assets to which it relates is depreciated.

Impairment – an asset has been impaired when it is judged to have lost value.

Intangible Assets – purchased intangible assets (e.g. software licences) should therefore be classed as assets.

Liabilities – amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources – current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Market Value of Assets – the price that an asset can currently be bought or sold at.

National Non Domestic Rates – rates which are levied on business properties. The District Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

Net Asset value – the value of the Council's assets less its liabilities.

Operating Leases – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease does not own the asset then this is known as an operating lease. In this case the person is paying to borrow an asset (see also Finance Leases).

Precept – a payment to the Council's General fund, or another local authority, from the Council's Collection Fund.

Prior Year Adjustments – these are changes made to the previous year's accounts to show things that were not known until after the prior year accounts were produced.

Revaluation Reserve – the account that reflects the amount by which the value of the District Council's assets has been revised following revaluation or disposal.

Revenue Support Grant (RSG) – a grant from Central Government towards the cost of providing services.

SSAP – Statement of Standard Accounting Practice.

Statement of Movement on the General Fund Balance (SMGFB) – An account that comprises of statutorily defined items to reduce the charge on the Council Tax.

Income and Expenditure Account

2007/08			2008/09		
Net Expenditure £000		Note	Gross Expenditure £000	Income £000	Net Expenditure £000
	Net Cost of Services				
	Cultural, Environmental & Planning Services				
5,552	Leisure	1	7,142	-1,237	5,905
6,132	Environmental Services		8,040	-1,325	6,715
3,311	Refuse Collection		3,409	-152	3,257
2,659	Planning and Development	2	10,087	-2,635	7,452
	Housing Services				
4,330	Housing General Fund		30,271	-25,887	4,384
157	Local Taxation Benefits		6,903	-6,682	221
1,268	Highways and Transportation		4,099	-1,739	2,360
	Central Services				
1,061	Local Taxation Collection		1,499	-570	929
252	Other Central Services		590	-226	364
4,748	Exceptional item	3	12,168		12,168
3,063	Corporate and Democratic Core		3,664	-659	3,005
216	Non-distributed costs		273	-1	272
32,749	NET COST OF SERVICES		88,145	-41,113	47,032
	Corporate Income and Expenditure				
-734	Gain (-) on disposal of assets				-363
3,555	Parish Precepts				3,737
-580	Trading undertakings surplus(-)/deficit	4			467
55	Interest payable				222
-2,797	Interest and investment income				-2,713
9	Amounts payable into the Housing Capital Receipts Pool				6
-57	Pensions interest cost and expected return on assets	11			1,199
32,200	NET OPERATING EXPENDITURE				49,587
	Principal Sources of Finance				
-9,874	Income from on the Collection Fund				-10,377
-2,045	General Government Grants	12			-1,685
-9,976	Distribution from the Non-domestic rate pool				-10,672
10,305	DEFICIT FOR THE YEAR				26,853

Statement of Movement on the General Fund Balance

2007/08 £000		2008/09 £000
-19,240	General Fund Balance brought forward	-20,410
10,305	Deficit for the year (Income and Expenditure Account)	26,853
-11,475	Net amount required by statute and non-statutory proper practices to be credited to the General Fund	-25,762
-1,170	Increase(-)/Decrease in General Fund Balance for the year	1,091
-20,410	General Fund Balance carried forward	-19,319

The following note explains the items that are required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year

2007/08 £000		2008/09 £000	£000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
-1,261	Amortisation of intangible assets	-1,034	
-7,829	Depreciation and impairment of fixed assets	-21,574	
169	Government grants deferred amortisation	83	
-2,084	Write downs of deferred charges to be financed from capital resources	0	
0	Revenue funded from capital under statute	-2,338	
734	Net gain on sale of fixed assets	363	
-2,893	Net charges made for retirement benefits in accordance with FRS17	-4,328	
-173	Amount by which finance costs calculated in accordance with the SORP are different from those required by statute	-41	
-13,337		-28,869	
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund balance for the year		
-171	Commutation adjustment	-102	
-9	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	-6	
2,411	Employer's contributions payable to the Cambridgeshire County Council Pension fund and retirement benefits payable direct to pensioners	2,902	
2,231		2,794	
	Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund balance for the year		
-369	Net transfer to or from earmarked reserves**		313
-11,475	Net additional amount required to be credited to the General Fund Balance for the year		-25,762

** excluding Collection Fund

Statement of Total Recognised Gains and Losses

2007/08		2008/09
£000		£000
10,305	Deficit on the Income and Expenditure Account	26,853
-942	Surplus arising from the revaluation of assets	-7,601
-5,863	Actuarial gains (-) and losses on Pension Fund assets and liabilities	9,634
-31	Deficit/ surplus (-) on the Collection Fund	5
3,469	Total recognised gain (-) / loss for the year	28,891

The movement of £28,891k in 2008/09 represents the reduction in reserves as shown on the balance sheet during the year.

Balance Sheet as at 31 March 2009

Restated 2008			2009	
£000		Note	£000	£000
2,503	Intangible assets	14		2,147
	Tangible fixed assets			
	Operational assets			
23,566	Land and buildings		30,445	
6,709	Vehicles and plant		7,766	
8,589	Infrastructure		8,465	
1,406	Community asset		1,406	48,082
	Non-operational assets			
19,528	Investment properties		15,345	
8,420	Assets under construction		3,125	
615	Surplus assets, held for disposal		1,548	20,018
71,336	Total fixed assets			70,247
10,100	Investments	17	15,238	
1,184	Long-term debtors	18	1,250	16,488
82,620	Total long-term assets			86,735
	Current assets			
96	Cash		687	
134	Stock	19	107	
7,025	Debtors	20	7,398	
30,250	Short-term investments		27,925	
455	Payments in advance		401	
37,960			36,518	
	Current liabilities			
-4,634	Creditors	21	-8,263	
-1,300	Receipts in advance		-2,605	
-2,050	Cash overdrawn		-1,879	
0	Short term borrowing		-6,000	
-7,984			-18,747	
29,976	Net current assets			17,771
	Long-term liabilities			
0	Long term Borrowing	22	-10,110	
-160	Deferred credits (including capital receipts)		-140	
-1,399	Deferred grants and contributions		-1,050	
-18,656	Pension scheme liability	29	-29,716	
-20,215				-41,016
92,381	Total assets less liabilities			63,490
	Financed by:			
70,163	Capital adjustment account	24	61,506	
942	Revaluation reserve	25	8,543	
16,023	Capital reserve	27	72	
-173	Financial instruments adjustment account	26	-214	
3,672	Earmarked reserves	28	3,980	
20,410	General Fund balance	28	19,319	
-18,656	Pensions reserve	29	-29,716	
92,381				63,490

Terry Parker BA (Hons) FCA, Director of Commerce and Technology

22 September 2009

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
2007/08 has been restated as deferred charges is now *revenue expenditure funded from capital under statute* and moved to revenue activities

	2007/08 restated		2008/09	
	£000	£000	£000	£000
Revenue Activities				
<i>Cash outflows</i>				
Employment costs	23,018		24,052	
Other operating cash payments	12,485		8,068	
Precepts paid out	68,723		72,342	
Contribution to the NNDR pool	47,157		50,617	
Housing benefits	21,903		24,750	
<i>Cash inflows</i>				
Council tax receipts	-69,388		-72,265	
Non-domestic rate receipts	-47,444		-51,416	
Non-domestic rate receipts from national pool	-9,641		-11,032	
Revenue support grant	-1,674		-1,486	
Local Authority Business Growth Incentive Grant	-771		-150	
DWP grants for benefits	-27,487		-30,669	
Other Government grants	-2,000		-982	
Cash received for goods and services	-2,977		-7,499	
Other operating cash receipts	-3,550	8,354	-3,369	961
Returns on Investments and Servicing of Finance				
<i>Cash outflows</i>				
Interest paid	55		222	
<i>Cash inflows</i>				
Interest received	-2,797	-2,742	-2,713	-2,491
Capital Activities				
<i>Cash outflows</i>				
Purchase of fixed assets	12,895		15,257	
Long-term investments	0		5,138	
Other capital cash payments	0	12,895	517	20,912
<i>Cash inflows</i>				
Sale of ex-Council houses	-688		-240	
Sale of other assets	-481		-242	
Long-term investments	-37,007		0	
Capital grants received	-2,630		-1,217	
Other capital cash receipts	-1,335	-42,141	-119	-1,818
Net cash inflow before financing		-23,634		17,564
Management of liquid resources				
Net increase/decrease in short-term deposits		24,250		-2,324
Financing				
<i>Cash inflows – new loans raised</i>		0		-16,000
Change in balance at bank (- is reduced overdraft)		616		-760

Notes to the Main Financial Statements

These accounts were authorised for issue on 22 September 2009 by the Corporate Governance Panel; this is the date up to which any post-balance sheet events have been considered.

Notes to the Income and Expenditure Account

1. Cost of services – leisure

The Authority contributed the following deficit support to the Leisure Centres in the District which are managed jointly with other bodies

	2007/08		2008/09	
	£000	£000	£000	£000
St Ivo	754		673	
Huntingdon	663		749	
St Neots	638		694	
Ramsey	368		424	
Sawtry	442	2,865	455	2,995
Other leisure services	471		343	
Parks	2,164		2,340	
Other	52	2,687	227	2,910
Net cost of leisure services		5,552		5,905

The Leisure Centre Management Committees are constituted under section 102 of the Local Government Act 1972 and consequently are required to report independently of Huntingdonshire District Council by means of separate statements of accounts. From 1 April 2009 the Management Committees will cease to exist and from then all the expenditure and income will be accounted for by Huntingdonshire District Council and any assets, basically stock, will be transferred to this Authority. Based on the 2008/09 figures gross expenditure of £8.3m and income of £5.3m will replace the net deficit funding of £3m. Reserves of £139k will also be transferred.

2. Building Control

The Building (Local Authority Charges) Regulations 1998 require the costs of providing certain specified elements of the service to break-even over 3 years.

	2007/08	2008/09
	£000	£000
Income	-508	-422
Expenditure	410	450
Surplus (-)/deficit	-98	28
Cumulative surplus (-)/deficit (3 years)	-141	-101

3. Exceptional item

There has been a material impairment of the Council offices because the old administrative offices have been demolished, the valuation of the replacement building is less than its capital cost and there is impairment on other administrative buildings including the depot. The valuations were carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews

Impairment would normally be charged to services as part of accommodation overheads, however due to the nature and size of the adjustment it is included in the Income and Expenditure account as an exceptional item. The cost is reversed out in the Statement of Movement on General Fund Reserve so there is no impact on the council tax.

4. Trading Undertakings

The following items are defined as trading undertakings by the SORP. The SORP now requires that notional interest is not charged to service and trading accounts but that it can be taken into account when deciding on the fees and charges to be levied. The table below shows the surplus before the notional interest is taken into account.

	2007/08		2008/09	
	Turnover	Surplus	Turnover	Surplus/ Deficit (-)
	£000	£000	£000	£000
Markets				
Huntingdon	55	13	53	15
Ramsey	5	1	5	3
St Ives	136	76	120	77
Management	1	-62	1	-62
	197	28	179	33
Industrial properties	625	390	493	-427
Commercial properties	225	162	229	-73
Total	1047	580	901	-467

The industrial units and commercial properties made a loss because the expenditure includes impairment on its assets.

5. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans is nil in 2008/09 because the Council had not funded any capital expenditure from borrowing as at 31 March 2008.

6. Expenditure on Publicity

Under section 5 of the Local Government Act 1986, the Authority is required to disclose the level of expenditure on publicity:

	2007/08	2008/09
	£000	£000
Recruitment advertising	143	99
Other advertising	200	240
	343	339

7. Members' Allowances and Expenses

	2007/08	2008/09
	£000	£000
Allowances	345	371
Expenses	77	77
	422	448

8. Employee Remuneration

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay and other employee benefits but not employer's pension contributions.

	2007/08	2008/09
£50,000 - £60,000	4	14
£60,000 - £70,000	10	3
£70,000 - £80,000	2	8
£80,000 - £90,000	1	1
£90,000 - £100,000	2	2
£130,000 - £140,000	0	0
£140,000 - £150,000	1	0
£150,000 - £160,000	0	1

9. Audit and Inspection Fees

	2007/08	2008/09
	£000	£000
External audit	77	78
Grant claim certification	20	26
Statutory inspections	6	6
National Fraud Initiative	0	3
	103	113

10. Related Party Transactions

The Council must disclose in the accounts any material transactions with related parties which include Councillors, Chief Officers, Central Government and other Local Authorities. No material transactions have been identified for disclosure that are not reported elsewhere in these Accounts. Creditors and debtors with Central Government and Local Authorities are shown in notes 20 and 21, whilst Government grants are analysed in note 36 to the cash flow.

11. Pension Costs

Details of pension costs are included in the statement of pension costs, assets and liabilities on page 66.

12. Government Grants Income

Grants not attributable to specific services

	2007/08 £000	2008/09 £000
Revenue Support Grant	1,674	1,486
Area Based Grant	0	49
Local Authority Business Growth Incentive Grant	371	150
	2,045	1,685

Notes to the Balance Sheet

13. 2007/08 Restated Balance Sheet

The 2007/08 Balance Sheet has been restated for the impact of the latest FRS17 guidance on the valuation of the pension deficit. The Council had a future pension deficit of £18.3m at the start of the year which, when adjusted increases to £18.7m.

14. Assets

All assets held at current value were revalued at 1 April 2009 and applied to the 2008/09 accounts; revaluations are made every five years. The valuations were carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews on the basis of market value or 26depreciated replacement cost as appropriate. Accounting policy 6 explains the measurement of the valuation and the depreciation policy adopted.

As at 31 March 2009 the Council was contractually committed to capital works valued at approximately £5.1m of which £4.6m related to the new HQ project.

	Operational assets				Non-operational assets			Intangible assets		TOTAL
	Vehicles, plant, equipment		Infra-structure	Community assets	Investment properties (note 2)	Assets under construction	Surplus assets held for disposal	Intangible assets (note 3)		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Cost or valuation at 1 April 2008	24,424	8,121	9,011	1,406	19,528	8,420	615	3,763	75,288	
Additions	7,633	2,549	363		1,203	3,030	25	455	15,258	
Disposals		-78							-78	
Reclassifications	7,464		-49		-322	-8,325	1,009	223	0	
Revaluations	4,724				1,028		96		5,848	
Impairment losses	-13,800				-6,092		-197		-20,089	
At 31 March 2009	30,445	10,592	9,325	1,406	15,345	3,125	1,548	4,441	76,227	

Depreciation and impairments at 1 April 2008	858	1,412	422					1,260	3,952
Charge for 2008/09	894	1,443	438					1,034	3,809
Revaluation gains in respect of accumulated depreciation	-1,752								-1,752
Disposals									-29
At 31 March 2009	0	2,826	860					2,294	5,980

Balance Sheet amount at 1 April 2008	23,566	6,709	8,589	1,406	19,528	8,420	615	2,503	71,336
Balance Sheet amount at 31 March 2009	30,445	7,766	8,465	1,406	15,345	3,125	1,548	2,147	70,247

Notes

1. The Council operates five leisure centres, managed jointly with other bodies, provided by the Council on land associated with schools. These are included in the accounts at market value
2. Investment properties are generally held for economic development purposes, but are required to be shown as investment properties.
3. Intangible assets represent software licenses

Major assets held at 31 March 2009	Number
Offices and depot	4
Leisure centres	5
Markets	2
Bus stations	2
Public conveniences	7
Car parks	24
Mobile home park	1
Country parks	2
Recreation grounds	6
Pavilions	3
Eco homes	2
Vehicles and plant	105
Investment properties	132
Surplus assets held for disposal	20

15. Financing of Capital Expenditure

	2007/08	2008/09
	£000	£000
Capital receipts	13,888	16,433
External contributions and capital grants	2,631	3,081
Borrowing	0	447
Revenue	0	1
Total financed	16,519	19,962

16. Leases

Finance Leases

Historically the Council occasionally used finance leases to meet the cost of industrial units, vehicles, plant and equipment. There are only two leases remaining and they are in a secondary stage. The following values of assets are held under finance leases by the authority, accounted for as a part of tangible fixed assets:

	Land & Buildings
	£000
Gross value of assets held under finance leases	267
Net Value at 1 April 2008	267
Additions	
Revaluations	
Depreciation charged in year	
Disposals	
Value at 31 March 2009	267

There were no finance charges allocated for the period 2008/09.

Outstanding obligations (excluding finance costs) at 31 March 2009, accounted for as part of long-term liabilities, are as follows:

	Land & Buildings	Vehicles, Plant & Equipment
	£000	£000
Amounts payable with in one year		
Amounts payable between in 2 -5 years	1	0
Amounts payable in over 5 years		
Additions		
Revaluations		
Depreciation charged in year		
Disposals		
Value at 31 March 2009		
Cumulative depreciation as at 31 March 2009	0	0

There were no new obligations taken on before 31.3.09 but which did not commence until after year end

Operating leases

Operating lease payments

	2008	2009
	£000	£000
Buildings	0	0
Vehicles	88	97
Total	88	97

Future liability under existing operating leases

	2008		2009	
	£000		£000	
	Buildings	Other	Buildings	Other
Leases expiring in 1 year	0	70	0	75
Leases expiring in 2- 5 years	0	52	0	73
Leases expiring in more than 5 years	0	0	0	0
	0	122	0	148

17. Long-term Investments

	2008	2009
	£000	£000
Long-term investments held at 31 March		
CDCM Investment Fund	10,000	5,113
In-house managed funds	0	10,125
Other (net of provision for losses)	100	0
	10,100	15,238

Most long term surplus cash held in the Council's reserves was invested through the services of the external fund manager CDCM, however the Authority temporarily invested £10m for 4 to 5 years when it borrowed £10m from the Public Works Loans Board (PWLB) in anticipation of its need to borrow to finance capital expenditure.

As funds managed by CDCM mature they are being brought into the in-house portfolio; as at 31 March 2009 the short-term funds with CDCM totalled £8m. Monies required to meet the Council's cash flow requirements over the next two years are managed in-house, and at the year-end amounted to £14.5m.

The funds managed by CDCM and in-house are all invested in cash instruments. The interest rate risk exposure resulting from these investments is minimal because all the investments are at fixed rates

Other long-term investments at 31 March 2009 of £0.1m (net) include £0.4m invested with Chancery bank, of which £0.3m is converted to share capital as a consequence of financial restructuring of the Bank. Because it is in administration, an equal provision is made against losses and there is little likelihood of the recovery of the monies

18. Long-term Debtors

	Balance	Repayments/	Revaluation/	Balance
	1.4.08	new	Gain/-loss	31.3.09
	£000	advances	£000	£000
		£000		
Loans – St Neots Town Council	116	-10		106
Housing advances	616	-20		596
House improvement loans	378	143	-42	479
House mortgages	35	-10		25
Employee loans	39	5		44
	1,184	108	-42	1,250

19. Stock

	31.3.08 £000	31.3.09 £000
Diesel	43	10
Printing	26	36
Refuse sacks	22	20
Other	43	41
	134	107

20. Debtors

	31.3.08 £000	31.3.09 £000
Amounts falling due in one year:		
Government Departments	1,049	2,055
NNDR National Pool (creditor 2008/09)	360	0
Public Authorities	381	1,728
Housing tenants	215	386
Local taxation	1,922	2,231
NNDR payers	299	916
Investment interest	1,050	0
General debtors	3,688	2,476
Total debtors	8,964	9,792
Less provision for bad debts		
Local Taxation	-611	-894
General Debtors	-836	-902
Other	-492	-598
	-1,939	-2,394
Net Position	7,025	7,398

21. Creditors

	31.3.08 £000	31.3.09 £000
Government Departments	641	1,717
Local Authorities	468	1,351
Leisure Centre Management Committees	15	158
Other	3,510	5,037
	4,634	8,263

22. Long term Borrowing

The Council borrowed £10m from the Public Works Loans Board (PWLB) in anticipation of the borrowing needed in future years. In December 2008 the long-term PWLB rates were considered to be very low and so £5m was borrowed for 50 years at 3.90% and £5m for 49 years at 3.91%. The Balance Sheet figure includes accrued interest of £110k.

23. Reserves

The Council maintains 6 types of reserves, some are available to meet expenditure and others are not:

Available to fund expenditure

- The Capital Reserve represents the balance of capital receipts and capital contributions that are available to finance capital expenditure
- Earmarked reserves are available to finance expenditure for specified purposes
- General Fund balance is available to finance any revenue or capital expenditure

Not available to fund expenditure

- The Revaluation Reserve and the Capital Adjustment Account relate to the requirements of the capital accounting rules.
- Financial Instruments Adjustment Account represents the difference in the carrying value of home improvement loans and the fair value taking into account the loss of interest due to the loans being interest-free.
- Pension Fund Liability represents the balance on the pension fund, which is an accounting entry to meet the requirements of FRS17.

24. Capital Adjustment Account

	2007/08		2008/09	
	£000	£000	£000	£000
Balance as at 1st April		68,481		70,163
Financing of capital expenditure				
Capital receipts	13,888		16,433	
External grants & contributions	<u>2,630</u>	16,518	<u>3,082</u>	19,515
Provision for depreciation	-3,921		-3,736	
Deferred charges and debtors	-5,300		-5,420	
Commutation adjustment	-171		-102	
Impairment	-5,169		-18,872	
Disposal	<u>-275</u>	-14,836	<u>-42</u>	-28,172
Balance as at 31st March		70,163		61,506

25. Revaluation Reserve

	2007/08	2008/09
	£000	£000
Balance as at 1st April	0	942
Surplus on revaluation	942	7,601
Balance as at 31st March	942	8,543

All land and buildings have been revalued as a result of the 5 yearly full valuation; The most significant gains have been in the following areas - leisure centres, £4.3m; £1.1m for investment properties (industrial and commercial units) and £0.8m for car parks

26. Financial Instruments Adjustment Account

	2007/08	2008/09
	£000	£000
Balance as at 1st April	0	-173
Adjustment for fair value of private sector housing improvement loans	-173	-41
Balance as at 31st March	-173	-214

27. Capital Reserve (Usable Capital Receipts and capital contributions)

	2007/08		2008/09	
	£000	£000	£000	£000
Balance as at 1st April		28,157		16,023
Receipts				
Sale of Council houses	688		240	
Sale of land and other buildings	392		165	
Repayment of loans	43		34	
Improvement grants	46		43	
Non-specified investments	585	1754	0	482
Receipts applied during the year		-13,888		-16,433
Balance as at 31st March		16,023		72

The balance represents a capital contribution that will be utilised during 2009/10

28. Revenue Reserves

	Balance 1.4.08 £000	Movement £000	Balance 31.3.09 £000
Earmarked reserves:			
S106 agreements	878	276	1,154
Commutated S106 payments reserve	1,084	115	1,199
Repairs and renewals funds	1,111	-46	1,065
Delayed projects reserve	335	-61	274
Other reserves	243	28	271
	3,651	312	3,963
Collection Fund	21	-4	17
	3,672	308	3,980
General fund balance	20,410	-1,091	19,319

29. Pensions Scheme Liability and Pensions Reserve

	Restated Balance 1.4.08 £000	Movement £000	Balance 31.3.09 £000
Pensions Reserve	-18,656	-11,060	-29,716

Details included in Pensions section page 66

30. Contingent Assets and Liabilities

Contingent Assets

1. A claim for recovery of tax has been made to the HMRC as the result of a recent Court of Appeal judgement which allowed claims for VAT refunds to be made back to 1973, when VAT was introduced. The judgement was linked to 6 areas of income where the treatment of VAT was corrected by HMRC from 1996 but for which they argued there was no entitlement to reclaims pre-1996.

The net claim is for around £1m plus interest. There is a separate legal challenge relating to whether interest would be simple or compound. There is a strong likelihood that the HMRC will pay at least part of the claim although the timing is unclear.

2. Cambridgeshire County Council owes £309k as a capital contribution towards expenditure on leisure centres in 2008/09, however they are deferring the payment until 2010/11 which creates a risk that the payment will not be made.
3. Claims have been made for the refund of VAT relating to off-street parking but whilst legal cases determined this year have not totally removed the possibility of a refund the position is now much less hopeful.

Contingent liabilities

1. Following the transfer of the Council's housing stock to Huntingdonshire Housing Partnership in 2000 the Council bears continuing unlimited liability in two respects:
 - Necessary associated sewer maintenance in excess of £65k p.a.
 - Environmental pollution arising on the land transferred though an insurance policy is in place to cover the majority of any liability.

2. The Council's insurer was MMI until 1993 and it is still liable for claims relating to the period when it insured the Council. The Council has entered a Scheme of Arrangement whereby MMI could claw back the claims payments made since 30 September 1993, should MMI become insolvent. As at 31 March 2009 the maximum clawback is £601k.

3. The Authority has settled a claim for negligence from an ex-employee. There is a dispute between two insurance companies that covered the Council during the relevant periods over which is liable to meet this claim. The dispute was heard by the High Court and as a result the Council has received a payment from one insurance company of £200k. However the company has appealed the decision and, whilst there is a realistic prospect that original decision will be upheld, the Court of Appeal or the House of Lords might reverse the decision. The Council would then have to repay the monies but there is a reasonable possibility that the other insurance company would then become liable.

4. The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. It is not yet clear whether any financial liability will fall on the Council.

31. Financial Instruments
Financial instruments by category

The financial assets and liabilities included on the balance sheet comprise the following categories of financial instruments

31 March 2008		31 March 2009
£000		£000
	Financial assets by class	
	<i>Loans and receivables</i>	
7,025	Debtors due within one year	7,398
1,184	Debtors due after one year	1,283
10,100	Long-term investments	15,238
30,250	Short-term investments	27,927
96	Cash and equivalents	687
<u>48,655</u>	<i>Total loans and equivalents</i>	<u>52,533</u>
48,655	Total financial assets	52,533

Financial liabilities by class		
<i>Other liabilities at amortised cost</i>		
0	Long-term liability at fixed rate of interest	-10,110
4,634	Creditors payable within one year	-8,263
0	Short-term liability at fixed rate of interest	-6,000
2,050	Bank overdrafts	-1,879
<u>6,684</u>	<i>Total other liabilities at amortised cost</i>	<u>-26,252</u>
6,684	Total financial liabilities	-26,252

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates has been used to calculate the fair value of private sector housing improvements loans
- No early repayment or impairment is recognized
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values of the Council's financial instruments, together with the carrying amounts included on the balance sheet are analysed as follows:

31 March 2008		31 March 2009	
Carrying amount	Fair value	Carrying amount	Fair value
£000s	£000s	£000s	£000s
Financial assets			
<i>Loans and receivables</i>			
8,209	7,826	8,681	8,471
40,350	39,481	43,165	41,763
96	96	687	687
<u>48,655</u>	<u>47,403</u>	<u>52,533</u>	<u>50,921</u>
Financial liabilities by class			
<i>Other liabilities at amortised cost</i>			
0	0	-10,110	-9,757
4,634	4,634	-8,263	-8,263
0	0	-6,000	-6,000
2,050	2,050	-1,879	-1,879
<u>6,684</u>	<u>6,684</u>	<u>-26,252</u>	<u>-25,899</u>

Nature and extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay sums due
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.

In relation to investments the Authority has adopted CIPFA's *Code of Practice on Treasury Management in the Public Services*, has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. These documents address the risks associated with investments.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date. There are no investments that as at the 31 March 2009 were with institutions that had failed

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

Liquidity risk

A substantial proportion of its investments are short-term deposits which mature within a year. In addition, as the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The PWLB loan has the following maturity profile:

£000	Date borrowed	Repayment date
5,000	19 Dec 2008	19 Dec 2057
5,000	19 Dec 2008	19 Dec 2058

Market risk

The Authority has minimal exposure to market risk because its investments and loans are at fixed rates of interest.

Price risk and foreign exchange risk are not applicable

32. Post balance sheet event - Leisure Centre Management Committees

The Leisure Centre Management Committees are constituted under section 102 of the Local Government Act 1972 and consequently are required to report independently of Huntingdonshire District Council by means of separate statements of accounts. From 1 April 2009 the Management Committees will cease to exist and from then all the expenditure and income will be accounted for by Huntingdonshire District Council and any assets, basically stock, will be transferred to this Authority

Notes to the Cash Flow Statement

33. Reconciliation of the net deficit on the Income and Expenditure Account to the movement in cash on revenue activities

2007/08 has been restated as deferred charges is now *revenue expenditure funded from capital under statute* and moved to revenue activities

	2007/08 restated		2008/09	
	£000	£000	£000	£000
Net revenue activities cash flow		8,354		961
Net interest received	-2,742		-2,491	
Depreciation	3,920		3,736	
Impairment	4,748		18,873	
Sale of council houses	-688		-242	
Capital grants and adjustments for soft loans	-102		-32	
Pensions appropriation	482		1,426	
Surplus on sale of fixed assets	-46		-123	
Housing capital receipts pool	9		6	
Changes in:				
Creditors	-3,393		4,921	
Debtors	-194		-209	
Stock	-43		27	
		1,951		25,892
Income and Expenditure Account deficit		10,305		26,853

34. Reconciliation of net cash flow to the movement in net funds

	1.4.08	Movement	31.3.09
	£000	£000	£000
Cash in hand	96	590	686
Cash overdrawn	-2,050	170	-1,880
Short-term borrowing	0	-6,000	-6,000
Short-term investments	30,250	-2,324	27,926
Long-term borrowing	0	-10,000	-10,000
	28,296	-17,564	10,732

35. Analysis of change in management of liquid resources and financing

	1.4.08 £000	Movement £000	31.3.09 £000
Short-term borrowing	0	-6,000	-6,000
Short-term investments	30,250	-2,324	27,926
	30,250	-8,324	21,926

Liquid resources are loans and investments of less than 1 year which are used to manage the cash flow of the Authority. The increase in short-term investments is due to the cash requirements of the Council and is reflected in a decrease in long-term investments. The short-term borrowing was a temporary position as at 31 March 2009 before the Council collected council tax instalments in April 2009.

36. Analysis of Government Grants

	2007/08		2008/09	
	£000	£000	£000	£000
Revenue support grant		1,674		1,486
Benefits grants:				
Council tax benefits	5,831		6,382	
Rent allowances	21,656	27,487	24,287	30,669
Other:				
Local Authority Business				
Growth Incentive Grant	771			150
Other capital grants	1,429			1,182
Benefits administration	979			891
Other	1,124	4,303		1,048
		33,464		35,426
Debtor		-66		0
		33,398		35,426

Collection Fund

2007/08			2008/09	
£000	£000	Note	£000	£000
	-73	Balance brought forward 1st April		163
69,196		Council tax income	72,951	
-7		Transfers from General Fund	28	
5,776		Council tax benefits	6,327	
306	75,271	Change provision for non-collection	-349	78,957
Less Precepts on the Fund				
-53,575		Cambridgeshire County Council	-56,427	
-8,584		Cambridgeshire Police Authority	-9,040	
-3,009		Cambridgeshire Fire Authority	-3,138	
-6,312		Huntingdonshire District Council:		
		General expenses	-6,668	
-3,555	-75,035	Parish Precepts	-3,737	-79,010
	163	Deficit-/surplus on council tax		110
47,382		NNDR collectable	50,843	
-225		<i>less</i> Government contribution to cost of collection	-226	
-47,157	0	<i>less</i> payment due to National Pool	-50,617	0
	163	Deficit- /surplus carried forward at 31st March		110

Notes to the Collection Fund

1. These accounts present the movements in the Collection Fund, which is a statutory fund separate from the General Fund of the Council. The accounts are however consolidated into the Council's accounts. They have been prepared on an accruals basis.

The surplus on the Collection Fund is split between that relating to Huntingdonshire District Council (£16k surplus) which is included in the earmarked reserves on page 54 and the amounts due from the precepting authorities which are included as debtors in the Balance Sheet.

2. (a) Parish and Town Council precepts are transferred to the General fund before being paid to the Parish or Town Council
- (b) Interest is not payable/chargeable to the Collection fund on cash flow variations between it and the General Fund.
- (c) The balance at the year end is distributable between the major precepting bodies in proportion to their respective precepts in 2009/10

- (d) In the accounts of the Council the balance attributable to this Authority is a reserve, but the sums due to or from the major precepting authorities are treated as a creditor or debtor

3. Precepts and demands

The following authorities made a precept or demand that was greater than £250k

	2007/08	2008/09
	£000	£000
Cambridgeshire County Council	53,557	56,578
Cambridgeshire Police Authority	8,581	9,065
Cambridgeshire Fire Authority	3,009	3,146
St Neots Town Council	696	760
Huntingdon Town Council	570	597
St Ives Town Council	469	480

4. Council Tax

	2007/08		2008/09	
	£000	£000	£000	£000
Base debit	83,877		88,844	
Add MOD contribution	527	84,404	512	89,356
<i>Deduct</i> Property exemptions	-3,786		-4,113	
Disability exemptions	-87		-93	
Discounts	-5,559		-5,872	
Write offs	-131		-49	
Provision for non-collection	437	-9,126	-300	-10,427
		75,278		78,929

Taxbase at 31 March 2009				
Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	10,950	2,076	0.67	5,913
B	18,276	2,444	0.78	12,314
C	16,832	1,751	0.89	13,406
D	11,001	991	1.00	10,010
E	8,208	722	1.22	9,150
F	3,321	275	1.44	4,399
G	1,618	132	1.67	2,477
H	144	23	2.00	243
Total	70,350			57,912

	2007/08	2008/09
Council tax charge per band D property	£1,306	1,370
Actual taxbase used (Band D equivalent)	57,402	57,846
Estimated taxbase	57,434	57,785

5. National Non-domestic Rates (NNDR)

	2007/08		2008/09	
	£000	£000	£000	£000
NNDR based on uniform business rate	54,948		56,943	
Adjustment to previous years	-1,098		-1,676	
Less Mandatory relief	-6,292	47,558	-3,923	51,344
Less Discretionary relief	-92		-87	
Add Charity relief from General Fund	23	-69	22	-65
Net yield		47,489		51,279
Less Collection costs & interest on refunds	-273		-322	
Less irrecoverables & provision for bad debts	-59	-332	-340	-662
Contribution to National Pool		47,157		50,617

The uniform business rate set by the Government for 2008/09 was 46.2p(2007/08 44.4p)

Total ratable value at 31 March 2008 £125.3m

Total ratable value at 31 March 2009 £124.5m

6. Irrecoverables and Provisions for bad debts

Council Tax

	2007/08	2008/09
Change in Bad Debt provision	-437	300
Irrecoverables	131	49
Total	-306	349

NNDR

	2007/08	2008/09
Change in Bad Debt provision	-59	303
Irrecoverables	118	37
Total	59	340

Pension Costs, Assets and Liabilities

This section provides information about the Council's assets, liabilities, income and expenditure related to The Local Government Pension Scheme in relation to its employees.

1 Introduction

This statement is in accordance with the Pension SORP 'The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2007)', which takes account of the latest relevant Financial Reporting Standards (FRS 26 & FRS 27), and the amendment to FRS17.

2 The Pension Scheme

Employees of Huntingdonshire District Council may participate in the Cambridgeshire County Council Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended. The cost of retirement benefits recognised in the Net Cost of Services is the full value of benefits earned by employees, rather than costs of benefits paid out as pensions each year. The authority and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets.

3. Change of accounting policy

For 2008/09, there is a change of accounting policy following adoption of the revised FRS 17. Derivatives and investments, which must be valued at fair value, are now valued, where there is an active market, at bid price rather than mid market value.

The amendment to FRS17 has also changed the disclosure requirements.

3 Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2007/08 was determined on the basis of contribution rates set in the 2004 valuation. The latest (2007) valuation of the Pension Fund concluded that to meet future funding required higher rates 16.3% (from 1 April 2008), 18.4% (from 1 April 2009) and 20.4% (from 1 April 2010) to meet estimated liabilities in accordance with Government regulations.

Due to reduced returns, the revised contribution rates are not adequate to cover 100% of the liabilities and these notes outline the latest position according to the fund actuary.

4. Transactions relating to Retirement Benefits

Whilst the Net Cost of Services takes account of the cost of retirement benefits accruing to employees, the charge required to be made against Council Tax is based on the cash

payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account, and the Statement of Movement in the General fund Balance during the year:

5. Income and Expenditure Account

	2007/08	2008/09
	£000	£000
Net Cost of Services:		
Current Service Cost	2,950	2,226
Past Service Costs	—	894
Losses on Settlements and Curtailments	—	9
Net Operating Expenditure:		
Interest Cost	5,395	6,185
Expected Return on Scheme Assets	-5,452	-4,986
Net Charge to the Income and Expenditure Account	2,893	4,328
Actual Return on Plan Assets	-3,646	-13,510
Statement of Movement in the General Fund Balance:		
Reversal of net charges made for retirement benefits in accordance with FRS 17	-2,893	-4,328
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employer's contributions to the scheme	2,411	2,902

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £9.634m (£5.889 actuarial gains 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. (see table below) The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses being £14.519m.

6. Amount recognised in the Statement of Total Recognised Gains and Losses

	31 March 2008 as restated	31 March 2009
	£000	£000
Actuarial Gains/ -Losses	5,889	-9,634
Cumulative Actuarial Gains/ -Losses	-4,885	-14,519

7. Assets and Liabilities in relation to pension fund

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

	31 March 2008 £000	31 March 2009 £000
Opening liability	99,622	89,097
Current service cost	2,950	2,226
Interest Cost	5,395	6,185
Contributions by members of scheme	931	1,093
Actuarial losses/-gains	-16,515	-8,799
Estimated benefits paid	-3,107	-2,930
Estimated unfunded benefits paid	-179	-182
Past service costs	-	894
Losses/-gains on curtailments	-	9
Closing liability	89,097	87,593

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

	31 March 2008 £000	31 March 2009 £000
Opening fair value of assets	75,559	70,441
Expected return on assets	5,452	4,986
Actuarial losses/-gains	-10,626	-18,433
Contributions by the employer	2,232	2,720
Contributions by members of scheme	931	1,093
Contributions re unfunded benefits	179	182
Benefits paid	-3,107	-2,930
Unfunded Benefits paid	-179	-182
Settlements	-	-
Closing fair value of assets	70,441	57,877

Asset values are at bid value as required by FRS17. (Assets as at 31 March 2008 have been restated at bid price, resulting in an actuarial loss).

8. Scheme History

	31 March 2005	31 March 2006	31 March 2007	31 March 2008 As restated	31 March 2009
	£000	£000	£000	£000	£000
Present value of liabilities	-82,744	-99,686	-99,622	-89,097	-87,593
Fair value of assets	56,291	69,964	75,559	70,441	57,877
Surplus/-Deficit	-26,453	-29,722	-24,063	-18,656	-29,716
Experience gains/- losses on liabilities	-5,192	-118	281	816	229
Above, as percentage of present value of liabilities	6.27%	0.12%	-0.28%	-0.92%	-0.26%
Experience gains/- losses on assets	2,724	9,996	722	-10,626	-18,433
Above, as percentage of fair value of assets	4.84%	14.29%	0.96%	-15.08%	-31.85%

The impact on the Council's assets and liabilities, as stated above, has been incorporated in the Council's Financial Accounts.

The net pension liability shows the underlying commitment that the authority has in the long term to pay retirement benefits. Statutory arrangements for funding the deficit ensure that contributions will be adjusted over the remaining working life of employees to meet the liabilities, as assessed by the scheme actuary.

The Council expects to contribute £3.121m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2010.

9. Basis for estimating Liabilities and Assets

The estimates, for the purposes of FRS17, have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Fund.

Liabilities are based on the latest formal valuation as at 31 March 2007, and rolled forward, assessed on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund, dependent on assumptions about mortality rates, salary levels etc. discounted to their present value as at 31 March 2008.

The main assumptions used by the actuary in the Pension Fund calculations are as shown below.

County Fund – Main Assumptions	2007/08	2008/09
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	3.6%	3.1%
Rate of discounting scheme liabilities	6.9%	6.9%
<i>Mortality</i>		
Longevity at 65 for current pensioners		
Men	19.6 years	19.6 years
Women	22.5 years	22.5 years
Longevity at 65 for future pensioners		
Men	20.7 years	20.7 years
Women	23.6 years	23.6 years
<i>Expected long-term rate of return on assets</i>		
Equity Investments	7.7%	7.0%
Bonds	5.7%	5.6%
Property	5.7%	4.9%
Cash	4.8%	4.0%
Take-up option to convert pension into tax free lump sum up to HMRC limits	25%	25%

In accordance with CIPFA guidance the discount rate employed for the 2007/08 financial year is the return available on long-dated, high quality corporate bonds at the FRS17 valuation date.

Pension fund assets are valued at fair value, principally market value for investments, but using the bid price rather than mid-market value, in accordance with latest financial instruments. The table below shows the mix of assets held, and the expected rate of return for each category of asset. Actuarial advice on expected return on assets is based on long-term future expected investment return for each asset class as at 31 March 2008 (or date of joining the fund, if later).

	Proportion of Total assets held by the Fund	
	31 March 2008	31 March 2009
Equity Investments	70%	64%
Bonds	13%	17%
Property	12%	10%
Cash	5%	9%
Total Fund Assets	100%	100%

11 Further information

Further information about the Pension Fund can be found in Cambridgeshire County Council's Pension Fund Annual Report, which is available on request from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

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HUNTINGDON LEISURE CENTRE

***Statement of Accounts
For the Year Ended 31st March 2009***

Management Committee Chairman 2008/09 Huntingdon Leisure Centre	Councillor J J Dutton
Officers of Huntingdonshire District Council Chief Executive Corporate Director, Commerce & Technology	Mr D Monks Mr T Parker
Auditors	Grant Thornton UK LLP

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Opinion on the financial statements

We have audited the Committee accounting statements and related notes of Huntingdon Leisure Centre Management Committee for the year ended 31 March 2009 under the Audit Commission Act 1998. The Committee accounting statements comprise the Committee Income and Expenditure Account, the Committee Statement of the Movement on the Leisure Centre Reserve, the Committee Balance Sheet, the Committee Statement of Total Recognised Gains and Losses, the Committee Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Huntingdon Leisure Centre Management Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee and the Committee's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Committee accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Committee and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Committee's corporate governance procedures or its risk and control procedures.

We read other information published with the Committee accounting statements, and consider whether it is consistent with the audited Committee accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Committee accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the Committee accounting statements and related notes, and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Committee accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Committee accounting statements and related notes.

Opinion

In our opinion the Committee financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Committee as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Committee's Responsibilities

The Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, the Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Winrow
Senior Statutory Auditor

For GRANT THORNTON UK LLP
Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

22 September 2009

INTRODUCTION AND FINANCIAL SUMMARY

INTRODUCTION

Huntingdon Leisure Centre is one of five Leisure Centres in the local area, each Centre is overseen by a Management Committee, constituted under section 102 of the Local Government Act 1972. The membership of the Huntingdon Committee is drawn from the following partners;

Huntingdonshire District Council
Cambridgeshire County Council
Huntingdon Town Council
St Peter's School, Huntingdon

Huntingdonshire District Council employs all the staff working at the Centre and processes all financial transactions through its bank accounts. However, being a separate statutory body from the District Council, the Management Committee is required to prepare an individual statement of accounts in accordance with the Accounts and Audit Regulations.

The 2008/09 financial year, is the last year that separate accounts will be produced for the Centre because by mutual agreement of the Management Committee members, the agreement is being terminated with effect from 31st March 2009.

In order to provide the public with a meaningful report on the financial affairs of local council services, a Statement of Recommended Practice on Local Authority Accounting (the SORP) has been approved. This sets out the form and content of the accounts and this Statement of Accounts complies with the SORP. The SORP is updated annually to reflect the latest developments in accountancy – last year there were significant changes but this year there are no major changes affecting the presentation or content of the financial statements.

The financial statements in this booklet represent the accounts of Huntingdon Leisure Centre for 2008/09, including a Balance Sheet, which summarises the Management Committee's assets and liabilities at 31st March 2009, and a cash flow statement which sets out where the money came from and how it was spent. Where relevant, explanatory notes on pages 30 to 33 give greater detail.

FINANCIAL OVERVIEW

The financial performance of Huntingdon Leisure Centre is summarised in the table below:-

	Budget £'000	Actual £'000	Variation £'000
Expenditure	1,931	1,874	-57
Less Charges	1,160	1,013	-147
Grants	0	3	+3
Partner Contributions	99	100	+1
HDC	672	749	+77
Contribution to (-) from Reserves	0	9	+9

More detail is shown in the financial statements on page 26.

When the 2008/09 budget was set it was envisaged that the redevelopment of the Centre would be completed early in the year and that the new facilities would be generating income. However, the redevelopment didn't start generating income until late November 2008 and some facilities didn't open until February 2009. The delay to this scheme resulted in lower income than budgeted for in 2008/09 being received.

INTRODUCTION AND FINANCIAL SUMMARY (Continued)

Uncertainty as to whether Local Authorities would still be excluded from the irrecoverable VAT on "exempt" services calculation led to the Centre budgeting to cover this potential cost. During the year, the Inland Revenue confirmed that Local Authorities were exempt from this calculation, saving the Centre £18k.

The accounting requirement to recognise the effect, in present value, of employee service in the current year on the pension fund liability for future payments resulted in expenditure of £6k being incurred. This is £9k less than expected.

Charges from Huntingdonshire District Council for support services, which reflects the cost of staff time spent on work for the Centre, were £42k lower than expected. The charges for capital investment, which vary due to changes in the timing and cost of individual schemes to improve or extend facilities, were £11k higher than expected.

Contributions towards the running costs of the Centre are received from the County Council and St Peter's School in respect of the use of the facilities for educational purposes. The level of these contributions are determined by the cost share agreement signed by the interested parties when the centre was first opened. Huntingdonshire District Council finances the revenue deficit and provides capital resources for new investment.

Huntingdonshire District Council charges the Centre for the management of the centre and for the financing of the capital investment.

BALANCE SHEET

The overall position as at 31st March 2009 is presented in the Balance Sheet on page 28.

The balance sheet shows revenue reserves totalling £17k.

CAPITAL

In 2008/09 £1,612k was invested in the Leisure Centre to develop new facilities at the site and maintain existing ones. Details are given on page 31. Huntingdonshire District Council initially financed all of this expenditure however, Cambridgeshire County Council will be reimbursing the District Council 26.1% of the costs of certain schemes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Leisure Centre Management Committees' Responsibilities

The Huntingdon Leisure Centre Management Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its partner authorities officers has the responsibility for the administration of those affairs. For all the Management Committees that officer is Huntingdonshire District Council's Corporate Director, Commerce and Technology.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Corporate Director, Commerce and Technology's Responsibilities

The Corporate Director, Commerce and Technology is responsible for the preparation of the Leisure Centre Management Committee's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the code), is required to present fairly the financial position of the Committee at the accounting date and its income and expenditure for the year ending 31st March 2009.

In preparing this statement of accounts, the Corporate Director has

- selected suitable accounting policies and then applied them consistently.
- made judgments and estimates that were reasonable and prudent.
- complied with the local authority SORP.

The Corporate Director has also

- kept proper accounting records which were up to date at the date of preparation of these accounting statements.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL GOVERNANCE STATEMENT

Up until 31st March 2009, Huntingdonshire District Council (HDC) and Cambridgeshire County Council delegated responsibility for their executive functions relating to the administration and management of Huntingdon Leisure Centre to a joint committee under Section 102 of the Local Government Act 1972. The Huntingdon Leisure Centre Management Committee (HLCCM) comprised representatives of the District and County Councils, Huntingdon Town Council and the Governing Body of St Peter's Comprehensive School. Under the management agreement and constitution of the joint committee agreed by the District and County Councils, officers of the District Council acted as the Secretary and Treasurer of the joint committee and the County Council's Architect acted as Architect to the joint committee. The Monitoring Officer and Chief Financial Officer of the District Council acted in these capacities for the joint committee. All persons employed at the Leisure Centre were employees of the District Council and the Governance arrangements in place at the District Council (as set out in full below) also applied to Huntingdon Leisure Centre.

From 1st April 2009 the Centre's joint committee has been disbanded and Huntingdonshire District Council has full responsibility for the management of the Centre.

HUNTINGDONSHIRE DISTRICT COUNCIL

GOVERNANCE STATEMENT

Huntingdonshire District Council is responsible for ensuring that –

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

In carrying out these duties, Members and employees are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at <http://www.Huntsdc.gov.uk/Councils+and+Democracy/Council/Code+of+Corporate+Governance.htm> and hard copies are available on request from the Policy & Strategic Services Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies 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 Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

- focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.
- Members and employees working together to achieve a common purpose with clearly defined functions and roles.
- promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

ANNUAL GOVERNANCE STATEMENT (Continued)

- developing the capacity and capability of Members and employees to be effective.
- engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2009 and up to and including the date of approval of the statement of accounts.

The Council's powers and duties of Council, Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal Audit which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approve the annual statement in that respect.

In turn the Council's Head of Law, Property & Governance and 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
- reviewing and reporting 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 key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

6. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website at <http://www.huntsdc.gov.uk/NR/rdonlyres/OC4046F2-C533-437B-B16A-C2BAE99C03C1/0/CommunityStrategy.pdf>. The Strategy was reviewed and re-adopted by the Council in September 2008. In addition the Council's Corporate Plan, "Growing Success", sets out our vision and our purpose in the context of the Community Strategy. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. In turn, both "Growing Our Communities" and "Growing Success" are supported by a series of Plans and policies to achieve the vision and aims for Huntingdonshire. These Plans are supported by a comprehensive performance management framework which monitors the achievement of targets and measures.

The Council's Communications & Marketing and Consultation & Engagement Strategies are used to promote and guide communications and engagement with local residents and to ensure that the vision and supporting plans are shared with local residents and other stakeholders. Extensive consultation and engagement has been used to develop the plans and regular surveys are carried out to gauge satisfaction with the achievement of the vision.

2. Roles & responsibilities

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and local residents by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

A Member-led cross party review of the Council's democratic arrangements was undertaken in 2008/09 that evaluated the Council's performance since the adoption of the current structure, the implications of change necessitated by the Local Government and Public Involvement in Health Act 2007 and the emerging themes of strengthening local democracy in recent Government consultation documents and guidance.

The review concluded that the existing structure had worked well since its inception and the principles of the executive/scrutiny split had become embedded in the organisation. Nevertheless, the Council agreed various changes to promote local democracy and community engagement in the process, involving –

- a new look to Council meetings with headline debates, Cabinet 'white paper' proposals, monitoring of LAA performance, public question time and evening meetings;
- public consultation on a move to an executive leader in 2011;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;
- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IdeA Member Development Charter to enhance support for elected councillors.

Cabinet

Chaired by the Leader of the Council, the Cabinet has responsibility for all executive functions of the authority. Having moved to monthly evening meetings following the review of the democratic structure, the Cabinet is now better placed to consider reports and recommendations from Overview and Scrutiny Panels that meet earlier in the month.

Portfolios of executive responsibilities are allocated by the Leader to seven executive councillors with the Deputy Leader now concentrating on a supportive function with specific responsibility for Member development and achievement of the IdeA Member Development Charter.

ANNUAL GOVERNANCE STATEMENT (Continued)

Key decisions, defined as issues involving income/expenditure of £50,000 plus or that affect two of more wards, are listed in a Forward Plan publicised four months in advance with executive decisions published within three days to facilitate potential call-in by scrutiny.

The arrangements for delegated decision making, the conduct of business at meetings etc. are defined in Cabinet procedure rules contained in the Council's constitution.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Social Well-Being, Environmental Well-Being, and Economic Well-Being) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution. The composition of the three Panels reflect the three main principles of the Sustainable Community Strategy.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any Joint Committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- scrutinise the performance of partnerships in relation to LAA targets and crime and disorder;
- exercise the Councillor "call for action" arrangements;
- consider any matter affecting the area or its inhabitants; and
- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a Committee of the Cabinet or a key decision made by an Officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place. An annual report for 2008/09 has been put on hold for the current year as a result of the changes arising from the restructuring of the overview & scrutiny panels, implementation of partnership scrutiny and resourcing issues

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- ensuring that the financial management of the Council is adequate and effective;
- approving the Council's statement of accounts;
- ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk;
- considering the Council's Code of Corporate Governance and approving the annual statement in that respect;
- determination of the Council's feedback procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence; and
- receiving and considering the external auditor's reports including the Annual Report to those charged with Governance and the Annual Audit Letter.

3. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council.

Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests.

A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints about standards of behaviour and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. Since May 2008 the monitoring officer has received and dealt with 19 complaints of which 2 were referred for further investigation, no action was necessary in 3 cases and the remainder were referred to the monitoring officer for further action, such as training. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were set by the Council in February 2007 to come into effect in May of that year. A further review by the Independent Remuneration Panel is therefore not required until 2011.

During the year a total of £389,000 was paid to 52 Councillors, the basic allowance being £4,100 per annum. In addition Councillors can claim a limited range of travel and sundry expenses. A total of £448,000 was paid during the year.

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at the rate of 10p & 17p per mile. In total £ 10,700 of expenses were reimbursed.

4. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and employees, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities.

Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy. A biennial review of the constitution was undertaken in 2009, together with a Member led review of the Council's democratic arrangements which resulted in a number of changes.

5. Capacity and Capability

Members

The Council has signed the IdeA Member Development Charter and is preparing an Action Plan to achieve Charter status. Role descriptions have been introduced for all Executive Councillors, other Councillors in receipt of special responsibility allowances, political group leaders and Ward Councillors

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

Licensing Committee/Panel
Development Management Panel
Standards Committee
Overview & Scrutiny Panels
Corporate Governance Panel.

Employees

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition corporate training programs such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

- ensures it has sufficient cash to meet its day-to-day obligations
- borrows when necessary to fund capital expenditure, including borrowing in advance when rates are considered to be low
- invests any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk.

The following is an extract from the 2009/10 Strategy produced in January 2009:

Risks associated with investments

The collapse of the Icelandic Banks in October 2008 resulted in the Capital Receipts Advisory Group (CRAG) reviewing its appetite for risk as regards counterparties that the Council would be willing to invest with. Whilst investments could be made with the Government's Debt Management Office which are theoretically risk-free, as they are backed by the Government, there is a significant downside to this level of safety in that the rates offered have been up to 2% below the market rate – a major issue when base rate itself is only 2%.

Following detailed discussion, CRAG recommended that the, then current, counterparty list of banks and building societies should continue to be used. They felt that Building societies are such key financial institutions within the UK that if one got into financial difficulties it would either be taken over by another building society or supported by the Government. They also have a significant proportion of their funds covered by retail savings so are less at the risk of market volatility.

Whilst we have a reasonable number of institutions to invest with, the list reduces every time a bank or building society is taken over by another institution. It is possible that the level of borrowing in anticipation of future needs could become limited by the availability of acceptable counterparties. This will be monitored closely.

Although many organisations rely on credit ratings to determine suitable counterparties and the Government advice refers to bodies with a "high" credit rating, recent events have shown that ratings are not totally reliable. The following changes have been made to mitigate this risk but they still only reduce it rather than remove it:

- The Council's Treasury Management advisors (Sterling) provide notice of institutions where the credit rating agencies have indicated a 'rating watch' which indicates that there may be a concern over the long-term stability of the bank or building society. These will often result in the counterparty being immediately removed from our list.
- Country limits have been set of £6M for non-EU countries, £10M for individual EU countries and £20M for EU in total. The EU limits exclude the UK.
- For shorter term investments the short-term credit rating is the most relevant, however as we may be investing in the medium-term when we have borrowed in advance it is prudent to take long-term credit ratings into account for any investment longer than 1 year. These should be A- or higher (FITCH) or the equivalent with other rating agencies."

Subsequent Restrictions

In order to manage risk whilst maintaining acceptable returns the following additional limitations have been introduced:

- Even if borrowing rates appear to be particularly good value compared with current and expected trends, any additional forward borrowing to finance the Council's MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.
- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.
- Investments will not normally be for longer than one month.

- It is considered that the action taken when the Dunfermline Building Society got into difficulties endorsed the view that Building Societies will be protected by the Building Society industry or the Government and we have also been advised that the Dunfermline was in a much weaker position than the other Societies.

7. Internal Audit

Internal audit work 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. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

In respect of the 12 month period ending 31st August 2009, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, ... the controls operated by management are currently adequate"

8. Whistleblowing and Benefit Fraud

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Fraud Team have been selected as finalists in the national awards organised by the Institute of Revenues, Rating and Valuation for 'Excellence in Anti Fraud' and will hear whether they are the winners at the IRRV annual conference in October

9. Complaints Procedure

The Council has adopted a feedback procedure which is in place to identify and deal with failure in service delivery. Complaints, or feedback to help service improvement, can be made in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA and FOI

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by the Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in December 2008. For 2007/08 the Council has achieved a Use of Resources Assessment '3' score for the internal control theme, which includes risk management. A risk register is in place which is used to inform the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members

12. Assurance Framework

To ensure that the Council is complying with its Governance arrangements and meeting the requirements of the Code (as set out in the principles, core principles and specific requirements) an Assurance Framework in the form of an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan;
- continued reference to systems and reporting as necessary to provide assurance and support for good governance; and
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

13. Assurance

In March 2009 the CGP in taking account of the guidance issued by CIPFA in Jan 2009 agreed that the annual review of Governance arrangements will include the annual review of the effectiveness of the system of internal audit. The system of internal audit provides the framework of assurance necessary to satisfy the Council that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;

- the risk register and assurance on the operation of key controls;
- the Council's performance management framework revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success" in September 2008;
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- arrangements which have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2008/09 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the actions from external audits.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives, improve efficiency and achieve savings. A Partnership evaluation framework, including the criteria for the good governance of partnerships identified by the Audit Commission report "Governing Partnerships: Bridging the Accountability Gap" has been developed. The framework balances the need for appropriate governance of partnerships which reflect their cycle of development to ensure that innovation and new ways of working are not stifled by over-burdensome procedures, while at the same time ensuring that arrangements exist which are compatible with the governance needs of the Council. Using the framework the Council has undertaken an initial assessment of partnerships and a (3 year) programme is being implemented to continuously review and develop strategic and operational partnerships.

In addition the Council is actively involved in developing governance of County-wide partnerships, supporting the delivery of a Local Area Agreement (LAA). There is a continuing debate and review to ensure that Cambridgeshire Together and supporting structured – the partnership charged with ensuring the LAA – has appropriate governance arrangements.

15. Annual Audit and Inspection Letter: (March 2009)

The Annual Audit & Inspection Letter for 2007/08, provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

"Huntingdonshire District Council is improving outcomes in most areas that matter to local residents. Improvements continue to be made in environmental services, particularly in recycling and composting, and in keeping the district clean. Crime levels continue to reduce and remain low. The Council works well in many partnerships. It works effectively with its partners to improve job opportunities for local residents and acts well with other councils on enforcement issues and promoting recycling. Access to services has improved with the opening of a new customer service centre. Enhanced focus on migrants and new arrivals is assisting them to access Council services more effectively. The Council performs well in delivering value for money. But numbers of affordable houses completed has decreased.

ANNUAL GOVERNANCE STATEMENT (Continued)

Progress is being made on sustaining improvement. A range of plans have been adopted which clearly link to Council and community priorities. Objectives are being achieved, for example delivering choice based lettings. Plans and service development are based on needs identified through consultation. Capacity is being strengthened through joint working. Actions to address poorer performing services, such as planning, have delivered improvements”.

The Annual Audit and Inspection Letter highlighted two areas where action is needed by the Council:

- maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
- develop a stronger focus on outcomes measures.

The Annual Audit and Inspection Letter is available on the Council’s website; http://www.huntsdc.gov.uk/NR/rdonlyres/6334B36A-3B71-46E3-B56D-514364A0FE21/0/audit_inspection_letter_march_2009.pdf and from the Head of People, Performance & Partnerships.

The Use of Resources Assessment is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council’s priorities and to improve services.

The Use of Resources Assessment for 2007/08 covers five themes, each of which were assessed on a 1 – 4 scale, 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:-

Theme	2006/07	2007/08
Financial reporting	3	2
Financial management	3	3
Financial standing	3	3
Internal control	2	3
Value for money	3	3
Overall	3	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

For 2008/09 and as part of the Comprehensive Area Assessment (CAA – a new framework for assessment of local public services) a new organisational assessment has been introduced. The organisational assessment has two elements, Use of Resources assessment and Managing Performance (formerly known as the Direction of Travel).

The Use of resources assessment has three themes – Managing Finances, Governing the Business and Managing Resources. The Key Lines of Enquiry (KLOE) that support these themes are very similar to the previous framework with the exception of the KLOE that supports the theme Managing Resources, this is a new KLOE.

The emphasis of the assessment has also changed to one which is now focusing on the outcomes delivered as apposed to the systems and processes in place and consequently it is classed by the Audit Commission as a “harder test”. Therefore, to achieve a level 2 or 3 for the new assessment will be far more challenging.

The Use of Resources assessment will still be scored on the same scale of 1 to 4 and merged with the Managing Performance assessment, which will also be scored for the first time using the same 1 to 4 in order to provide an overall organisation score.

ANNUAL GOVERNANCE STATEMENT (Continued)

A self assessment for both the Use of Resources and Managing Performance assessment has been submitted to our external auditors. These assessments will feed into the CAA assessment with the results being made available in the autumn 2009.

Development areas identified by external organisations/inspections or by the Council are incorporated into the Council's overall Improvement Plan. Progress on the achievement of this Plan is monitored by the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

- Put in place effective arrangements to identify and deal with failure in service delivery.
 - The corporate complaints system has been recast as part of a wider feedback system, which has been adopted by the Corporate Governance Panel in December 2008. The changes include the introduction of formal procedures to monitor and analyse feedback and to implement any necessary changes
- Tackle areas of comparative under performance
 - Overall performance as measured by performance indicators is positive, with 67 per cent of the Council's performance indicators in 2007/08 improving against an all district average of between 57 and 59 per cent. This reflects its improvement over the last three years, with 66 per cent of indicators improving. In 2007/08, 33 per cent of the Council's performance indicators were amongst the best in the country, an improvement on 2006/07 and matching the average for district council
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.
 - Performance has been consistently improving; for the 12 month period to July 2009, 68% of agreed audit actions have been introduced on time against the benchmark of 60%; and overall, 84% have been completed.
- Delivery of the Review of Council structure being led by Cabinet Member
 - The Review of the Council's democratic structure was adopted by the Council in April 2009. Changes to internal systems & processes have been implemented from the new municipal year. Community engagement proposals are subject to consultation with partners for implementation later in 2009/2010.
- Review of the Constitution to address any issues not dealt with in the structural review.
 - The biennial review of the Constitution has been undertaken and changes approved by Council in June 2009.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
 - Significant progress has been made in achieving the Council's improvement plan. An update on progress is monitored through the Comprehensive Performance Management Framework and considered quarterly by Cabinet.

- Undertake Partnership review programme
 - The framework, guidance and evaluation criteria have been revised to be more 'fit for purpose', and to better support and inform the current CAA process and was approved by COMT in July this year. In addition, a revised partnership list for evaluation purposes has been compiled with the feedback from Heads of Service and Activity Managers. The list consists of those partnerships which are considered to have a significant impact on the delivery of the strategic and operational priorities within the Sustainable Community Strategy and Growing Success. Work on the evaluation of these partnerships will commence in the autumn.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year –

- Code of Procurement
 - There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. Steps will be taken to improve the level of compliance.
- HSP evaluation
 - New guidance has been issued by the Audit Commission to help in the assessment of the Governance arrangements and effectiveness of the Local Strategic Partnerships. Consideration will be given to how this guidance can be implemented in conjunction with the Councils own Partnership framework.
- Audit Letter recommendations
 - maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
 - Develop a stronger focus on outcomes measures.
- Scrutiny Annual Report
 - Following changes to Overview and Scrutiny to ensure an Overview and Scrutiny annual report reflecting their work during 2009/10 is prepared to for publication.

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

ANNUAL GOVERNANCE STATEMENT (Continued)

Signed:
Ian Bates
Leader of the Council

Signed:
David Monks
Chief Executive

I hereby confirm that the Councils Corporate Governance Panel have approved the Governance Statement

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

Pathfinder House
St Mary's Street
HUNTINGDON
Cambs PE29 3TN
September, 2009

ACCOUNTING POLICIES

1 General

The Statement of Accounts summarises the Committee's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2007* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflect the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAPs) applicable to Local Government. The main policies adopted in compiling the accounts are set out below.

2 Accounting Concepts

These accounts have been prepared in accordance with the underlying concepts of

- A "going concern" i.e. a continuing business, although, the management of the Centre is being transferred from the Committee to Huntingdonshire District Council with effect from 1st April 2009.
- Accrual of income and expenditure.
- Primacy of legislative requirements.

Due regard is given to consistency and prudence where it does not conflict with the application of the primary concepts. The accounting statements are prepared with the objective of presenting fairly the financial position and transactions of the Committee.

3 Debtors and Creditors

In the revenue accounts income and expenditure are accounted for in the year in which they arise by the creation of debtors and creditors. All capital transactions are accounted for on a similar accruals basis.

4 Stock and Work in Progress

The value of stock held in the main stores is included in the accounts at average purchase price.

5 Pensions

Pension costs are charged to the Committee's accounts in respect of employees equal to the contributions paid to the funded pension scheme for these employees. These costs have been determined on the basis of contribution rates set in the actuarial valuation of the superannuation fund. The adoption of FRS17 results in additional cost representing the effect, in present value, of employee service in the year on the pension fund liability for future payments. Discretionary benefits awarded on early retirement are charged to service accounts as they become payable.

6 Leisure Centre Management Committees

The Leisure Centre Management Committees are constituted under section 102 of the Local Government Act 1972 and consequently are required to report independently of Huntingdonshire District Council by means of a separate statement of accounts. The Management Committees were decommissioned on 1st April 2009 and all assets and liabilities were transferred to Huntingdonshire district Council.

7. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one organisation and a financial liability in another organisation. Examples include:

- Goods received but payment not yet made
- Loans
- Investments
- Services delivered but payment not yet received

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (i.e. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (i.e. equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Committee has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount with no provision being made for doubtful debts.

Cash and equivalents

Cash and equivalents comprise cash in hand.

Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Committee has the following liabilities measured at amortised cost.

Creditors

Creditors are carried at their original invoice amount

Due to their nature and short-term maturity, the fair value for creditors is estimated using their carrying values

INCOME & EXPENDITURE ACCOUNT

2007/08 £'000		Note No	2008/09 £'000
	Income from Charges		
228	Swimming		242
113	Fitness Suite		117
247	Advantage Membership		275
101	Hospitality		116
36	Vending		39
185	Other Indoor Activities		202
34	Synthetic & Outdoor Pitches		22
944			1,013
0	Income from Misc Grants		3
	Income from Partner Contributions	1	
663	Huntingdonshire District Council		749
52	Cambridgeshire County Council		55
42	St Peters School		45
757			849
1,701	Total Income		1,865
	Expenditure		
1,572	Operational Expenditure		1,695
1,572	Total Expenditure		1,695
-129	Surplus(-)/Deficit for the year		-170

STATEMENT OF MOVEMENT ON THE LEISURE CENTRE RESERVE

2007/08 £'000		2008/09 £'000
-129	Surplus (-) / Deficit for the Year	-170
134	Add Capital Charges	179
5	Contribution to(-) / from Repair & Renewals Fund	9

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
-------------------------------------------------------	--	--

2007/08 £'000		2008/09 £'000
-129	Surplus (-) / Deficit on the Income & Expenditure Account	-170
-129	Total recognised gain (-) / loss for the year	-170

BALANCE SHEET AS AT 31ST MARCH 2009

2007/08 £'000		Note No	2008/09 £'000
Current Assets			
1	Cash		2
19	Stock	7	15
63	Debtors	8	65
9	Payments in Advance		13
92			95
Current Liabilities			
60	Creditors	9	68
6	Receipts in Advance		10
66			78
26	Net Current Assets		17
26	Total Assets less Liabilities		17
Financed By:			
26	Earmarked Reserves (R & R Fund)	10	17

23rd June 2009

CASH FLOW STATEMENT

2007/08 £'000		2008/09 £'000
	Revenue Activities	
	<i>Cash Outflows</i>	
844	Employment Costs	922
887	Other Operating Cash payments	944
	<i>Cash Inflows</i>	
-936	Cash received for goods & services	-1,013
-795	Contributions from Partners	-853
	0 Capital Activities	0
	0 Financing	0
0	Change in Cash & Cash Equivalents	0

Income and Expenditure Account

1 Related Party transactions

Material transactions with related parties during 2008/09 were income amounts and are listed below:-

	2007/08 £'000	2008/09 £'000
Huntingdonshire District Council	663	749
Cambridgeshire County Council	52	55
St Peters School, Huntingdon	42	45

6. Expenditure on Publicity

Under section 5 of the Local Government Act 1986, the Committee is required to disclose the level of expenditure incurred on publicity. The spending on publicity as defined by the Act, totalled £19,000 during 2007/08 and £19,000 during 2008/09.

	2007/08 £'000	2008/09 £'000
Recruitment Advertising	7	4
Other Advertising	12	15
Total	19	19

6. Pension Costs

Huntingdonshire District Council, on behalf of the Committee, participates in a funded defined benefit pension scheme administered by Cambridgeshire County Council. The last triennial actuarial valuation of the fund was at 31st March 2007.

The statement of fund assets and liabilities is shown in the notes to the Statement of Accounts of Huntingdonshire District Council in which lies responsibility for pension liabilities in respect of employees working at the Leisure Centre.

In 2008/09 the Committee paid an employer's contribution of £77k, representing 16.3% of employees pensionable pay into Cambridgeshire County Council's Superannuation Fund, which provides members with defined benefits related to pay and service. The contribution rate was determined by the fund's actuary based on triennial valuations, reviewed at 31st March 2007. The adoption of FRS17 results in additional direct costs in 2008/09 of £6k (£15k in 2007/08) representing the present value of employee service in the year on the pension fund liability for future payments.

In addition, the Committee is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

Further information can be found in the Cambridgeshire County Council Pension Fund Annual Report which is available on request from The Director of Resources, Shire Hall, Cambridge CB3 0AP.

6. Officers emoluments and Members allowances

No employee's remuneration in the year exceeded £50,000. Members allowances are paid by the authorities appointing those Members.

6. Audit Fees

External audit fees charged to the Committee's accounts were £5,625, this amount is for the 2008/09 audit (£4,200 in 2007/08).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Capital Expenditure

Huntingdonshire District Council finances all capital expenditure except where partners have agreed to make a contribution towards the total scheme cost.

Details of capital expenditure during the year are shown below.

	2007/08 £'000	2008/09 £'000
Major Redevelopment of the Centre		
Enlarge Fitness Suite, provide Spa Facilities & provide Children's Activity Areas		1,331
Plant & Equipment		
Combined Power & Heating Unit		105
Fire Alarm Panel		20
Other Facilities		
Car Park & Footpath Resurfacing/Expansion		3
Swimming Pool Roof		17
Synthetic Pitch		124
Major Repairs/Replacement Work	5	12
Total	5	1,612

BALANCE SHEET

7 Stock

31 March 2008		31 March 2009	
£'000		£'000	
7	Bars & Catering	7	
2	Vending	2	
10	Goods for Resale	6	
19	Total	15	

8 Debtors

The following amounts all fall due in one year, there is no provision for bad debts.

31 March 2008		31 March 2009	
£'000		£'000	
25	Cambs County Council	3	
10	Huntingdonshire D C	45	
21	Schools, Colleges	3	
7	Other General Debtors	14	
63	Total	65	

9 Creditors

31 March 2008		31 March 2009	
£'000		£'000	
5	Employees	2	
55	Other General Creditors	66	
60	Total	68	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Revenue Reserves

£'000

Repairs & Renewals Fund

Balance 1 st April 2008	26	
Movement	-9	
Balance 31 st March 2009	17	

NOTES TO THE CASH FLOW STATEMENT

11 General

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. These are represented by movements in the balance owed to or from Huntingdonshire District Council.

12 Changes in cash and cash equivalents

All cash transactions are processed through the bank accounts of Huntingdonshire District Council. The Committee therefore always has a net nil change to cash and cash equivalents.

Other Notes

13 Financial Instruments

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. Their fair value can be assessed by calculating the present value of the cash flows. Due to the short-term nature of assets and liabilities the fair value is equivalent to the carrying value.

The fair values of the Committee's financial instruments, together with the carrying amounts included on the balance sheet are analysed as follows:

31 March 2008			31 March 2009	
Carrying amount	Fair value		Carrying amount	Fair value
£000s	£000s		£000s	£000s
		Financial assets		
		<i>Loans and receivables</i>		
63	63	Total debtors	65	65
1	1	Cash and equivalents	2	2
64	64	Total	67	67
		Financial liabilities by class		
		<i>Other liabilities at amortised cost</i>		
60	60	Total creditors	68	68
60	60	Total	68	68

Nature and extent of risks arising from Financial Instruments

The Committee's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay sums due
- Liquidity risk – the possibility that the Committee might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates

Credit risk

Credit risk arises from credit exposures to the Committee's customers and Public Sector debtors

In relation to the sums owed by the Committee's customers and contractual debtors, the Committee has assessed the nature, historic losses and age of the debts and has made no provision to cover potential losses.

Liquidity risk

As the expenditure of the Committee is funded by Huntingdonshire District Council there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

Market risk

The Committee has minimal exposure to market risk because its investments and loans are at fixed rates of interest.

CORPORATE GOVERNANCE PANEL CERTIFICATION

I confirm that these accounts and the accounting policies were approved by Huntingdonshire District Council's Corporate Governance Panel at their meeting held on the 23rd June 2009.

Signed on behalf of the Huntingdon Leisure Centre Management Committee:

Chairman of the meeting approving the accounts: _____

ST. IVO LEISURE CENTRE

***Statement of Accounts
For the Year Ended 31st March 2009***

Management Committee Chairman 2008/09 St. Ivo Leisure Centre	Councillor J D Ablewhite
Officers of Huntingdonshire District Council Chief Executive Corporate Director, Commerce & Technology	Mr D Monks Mr T Parker
Auditors	Grant Thornton UK LLP

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Opinion on the financial statements

We have audited the Committee accounting statements and related notes of St Ivo Leisure Centre Management Committee for the year ended 31 March 2009 under the Audit Commission Act 1998. The Committee accounting statements comprise the Committee Income and Expenditure Account, the Committee Statement of the Movement on the Leisure Centre Reserve, the Committee Balance Sheet, the Committee Statement of Total Recognised Gains and Losses, the Committee Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of St Ivo Leisure Centre Management Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee and the Committee's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Committee accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Committee and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Committee's corporate governance procedures or its risk and control procedures.

We read other information published with the Committee accounting statements, and consider whether it is consistent with the audited Committee accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Committee accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the Committee accounting statements and related notes, and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Committee accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Committee accounting statements and related notes.

Opinion

In our opinion the Committee financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Committee as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources***Committee's Responsibilities***

The Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, the Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Winrow
Senior Statutory Auditor

For GRANT THORNTON UK LLP
Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

22 September 2009

INTRODUCTION AND FINANCIAL SUMMARY

INTRODUCTION

St. Ivo Leisure Centre is one of five Leisure Centres in the local area, each Centre is overseen by a Management Committee, constituted under section 102 of the Local Government Act 1972. The membership of the St. Ivo Committee is drawn from the following partners;

Huntingdonshire District Council
Cambridgeshire County Council
St Ivo School
St Ivo Users Committee

Huntingdonshire District Council employs all the staff working at the Centre and processes all financial transactions through its bank accounts. However, being a separate statutory body from the District Council, the Management Committee is required to prepare an individual statement of accounts in accordance with the Accounts and Audit Regulations.

The 2008/09 financial year, is the last year that separate accounts will be produced for the Centre because by mutual agreement of the Management Committee members, the agreement is being terminated with effect from 31st March 2009.

In order to provide the public with a meaningful report on the financial affairs of local council services, a Statement of Recommended Practice on Local Authority Accounting (the SORP) has been approved. This sets out the form and content of the accounts and this Statement of Accounts complies with the SORP. The SORP is updated annually to reflect the latest developments in accountancy – last year there were significant changes but this year there are no major changes affecting the presentation or content of the financial statements.

The financial statements in this booklet represent the accounts of St. Ivo Leisure Centre for 2008/09, including a Balance Sheet, which summarises the Management Committee's assets and liabilities at 31st March 2009, and a cash flow statement which sets out where the money came from and how it was spent. Where relevant, explanatory notes on pages 30 to 33 give greater detail.

FINANCIAL OVERVIEW

The financial performance of St. Ivo Leisure Centre is summarised in the table below:-

	Budget	Actual	Variation
	£'000	£'000	£'000
Expenditure	3,099	2,724	-375
Less Charges	1,916	1,829	-87
Partner Contributions	225	225	0
HDC	958	673	-285
Contribution to (-) from Reserves	0	-3	-3

More detail is shown in the Income and Expenditure Account on page 26.

This year, expenditure at the Leisure Centre was below the budget by £375k. General running costs were £300k below the budget mainly due to savings on employee costs and utility bills. Leisure Centres are being asked to reduce their running costs and St Ivo has been successful in this task. Income from customers was £87k below expected levels with membership packages and bars and catering activities accounting for most of this reduction.

INTRODUCTION AND FINANCIAL SUMMARY (Continued)

Uncertainty as to whether Local Authorities would still be excluded from the irrecoverable VAT on "exempt" services calculation led to the Centre budgeting to cover this potential cost. During the year, the Inland Revenue confirmed that Local Authorities were exempt from this calculation, saving the Centre £28k.

The accounting requirement to recognise the effect, in present value, of employee service in the current year on the pension fund liability for future payments resulted in expenditure of £8k being incurred. This is £18k less than expected.

Charges from Huntingdonshire District Council for support services, which reflects the cost of staff time spent on work for the Centre, were £68k lower than expected. The charges for capital investment, which vary due to changes in the timing and cost of individual schemes to improve or extend facilities, were £39k higher than expected.

Contributions towards the running costs of the Centre are received from the County Council in respect of the use of the facilities for educational purposes. The level of these contributions are determined by the cost share agreement signed by the interested parties when the centre was first opened. Huntingdonshire District Council finances the revenue deficit and provides the capital resources for new investment.

Huntingdonshire District Council charges the Centre for the management of the centre and for the financing of the capital investment.

BALANCE SHEET

The overall position as at 31st March 2009 is presented in the Balance Sheet on page 28.

The balance sheet shows revenue reserves totalling £59k.

CAPITAL

In 2008/09 there was capital investment of £580k to develop the assets of the Leisure Centre. Details are given on page 31. Huntingdonshire District Council initially financed all of this expenditure however, Cambridgeshire County Council will be reimbursing the District Council 26.1% of the costs of certain schemes and other external contributions totalling £36k were received.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Leisure Centre Management Committees' Responsibilities

The St. Ivo Leisure Centre Management Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its partner authorities officers has the responsibility for the administration of those affairs. For all the Management Committees that officer is Huntingdonshire District Council's Corporate Director, Commerce and Technology.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Corporate Director, Commerce and Technology's Responsibilities

The Corporate Director, Commerce and Technology is responsible for the preparation of the Leisure Centre Management Committee's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the code), is required to present fairly the financial position of the Committee at the accounting date and its income and expenditure for the year ending 31st March 2009.

In preparing this statement of accounts, the Corporate Director has

- selected suitable accounting policies and then applied them consistently.
- made judgments and estimates that were reasonable and prudent.
- complied with the local authority SORP.

The Corporate Director has also

- kept proper accounting records which were up to date at the date of preparation of these accounting statements.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL GOVERNANCE STATEMENT

Up until 31st March 2009, Huntingdonshire District Council (HDC) and Cambridgeshire County Council delegated responsibility for their executive functions relating to the administration and management of St Ivo Leisure Centre to a joint committee under Section 102 of the Local Government Act 1972. The St Ivo Leisure Centre Management Committee (SILCMC) comprised representatives of the District and County Councils, the Governing Body of St Ivo School and users of the Centre. Under the management agreement and constitution of the joint committee agreed by the District and County Councils, officers of the District Council acted as the Secretary and Treasurer of the joint committee and the County Council's Architect acted as Architect to the joint committee. The Monitoring Officer and Chief Financial Officer of the District Council acted in these capacities for the joint committee. All persons employed at the Leisure Centre were employees of the District Council and the Governance arrangements in place at the District Council (as set out in full below) also applied to St Ivo Leisure Centre.

From 1st April 2009 the Centre's joint committee has been disbanded and Huntingdonshire District Council has full responsibility for the management of the Centre.

HUNTINGDONSHIRE DISTRICT COUNCIL

GOVERNANCE STATEMENT

Huntingdonshire District Council is responsible for ensuring that –

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

In carrying out these duties, Members and employees are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at <http://www.Huntsdc.gov.uk/Councils+and+Democracy/Council/Code+of+Corporate+Governance.htm> and hard copies are available on request from the Policy & Strategic Services Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies 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 Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

- focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.
- Members and employees working together to achieve a common purpose with clearly defined functions and roles.
- promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

ANNUAL GOVERNANCE STATEMENT (Continued)

- developing the capacity and capability of Members and employees to be effective.
- engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2009 and up to and including the date of approval of the statement of accounts.

The Council's powers and duties of Council, Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal Audit which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approve the annual statement in that respect.

In turn the Council's Head of Law, Property & Governance and 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
- reviewing and reporting 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 key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

6. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website at <http://www.huntsdc.gov.uk/NR/rdonlyres/0C4046F2-C533-437B-B16A-C2BAE99C03C1/0/CommunityStrategy.pdf>. The Strategy was reviewed and re-adopted by the Council in September 2008. In addition the Council's Corporate Plan, "Growing Success", sets out our vision and our purpose in the context of the Community Strategy. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. In turn, both "Growing Our Communities" and "Growing Success" are supported by a series of Plans and policies to achieve the vision and aims for

Huntingdonshire. These Plans are supported by a comprehensive performance management framework which monitors the achievement of targets and measures.

The Council's Communications & Marketing and Consultation & Engagement Strategies are used to promote and guide communications and engagement with local residents and to ensure that the vision and supporting plans are shared with local residents and other stakeholders. Extensive consultation and engagement has been used to develop the plans and regular surveys are carried out to gauge satisfaction with the achievement of the vision.

ANNUAL GOVERNANCE STATEMENT (Continued)

2. Roles & responsibilities

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and local residents by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

A Member-led cross party review of the Council's democratic arrangements was undertaken in 2008/09 that evaluated the Council's performance since the adoption of the current structure, the implications of change necessitated by the Local Government and Public Involvement in Health Act 2007 and the emerging themes of strengthening local democracy in recent Government consultation documents and guidance.

The review concluded that the existing structure had worked well since its inception and the principles of the executive/scrutiny split had become embedded in the organisation. Nevertheless, the Council agreed various changes to promote local democracy and community engagement in the process, involving –

- a new look to Council meetings with headline debates, Cabinet 'white paper' proposals, monitoring of LAA performance, public question time and evening meetings;
- public consultation on a move to an executive leader in 2011;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;
- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IdeA Member Development Charter to enhance support for elected councillors.

Cabinet

Chaired by the Leader of the Council, the Cabinet has responsibility for all executive functions of the authority. Having moved to monthly evening meetings following the review of the

democratic structure, the Cabinet is now better placed to consider reports and recommendations from Overview and Scrutiny Panels that meet earlier in the month.

Portfolios of executive responsibilities are allocated by the Leader to seven executive councillors with the Deputy Leader now concentrating on a supportive function with specific responsibility for Member development and achievement of the IdeA Member Development Charter.

ANNUAL GOVERNANCE STATEMENT (Continued)

Key decisions, defined as issues involving income/expenditure of £50,000 plus or that affect two or more wards, are listed in a Forward Plan publicised four months in advance with executive decisions published within three days to facilitate potential call-in by scrutiny.

The arrangements for delegated decision making, the conduct of business at meetings etc. are defined in Cabinet procedure rules contained in the Council's constitution.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Social Well-Being, Environmental Well-Being, and Economic Well-Being) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution. The composition of the three Panels reflect the three main principles of the Sustainable Community Strategy.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any Joint Committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- scrutinise the performance of partnerships in relation to LAA targets and crime and disorder;
- exercise the Councillor "call for action" arrangements;
- consider any matter affecting the area or its inhabitants; and
- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a Committee of the Cabinet or a key decision made by an Officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place. An annual report for 2008/09 has been put on hold for the current year as a result of the changes arising from the restructuring of the overview & scrutiny panels, implementation of partnership scrutiny and resourcing issues

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- ensuring that the financial management of the Council is adequate and effective;
- approving the Council's statement of accounts;
- ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk;
- considering the Council's Code of Corporate Governance and approving the annual statement in that respect;

- determination of the Council's feedback procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence; and
- receiving and considering the external auditor's reports including the Annual Report to those charged with Governance and the Annual Audit Letter.

ANNUAL GOVERNANCE STATEMENT (Continued)

3. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council.

Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests.

A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints about standards of behaviour and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. Since May 2008 the monitoring officer has received and dealt with 19 complaints of which 2 were referred for further investigation, no action was necessary in 3 cases and the remainder were referred to the monitoring officer for further action, such as training. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were set by the Council in February 2007 to come into effect in May of that year. A further review by the Independent Remuneration Panel is therefore not required until 2011.

During the year a total of £389,000 was paid to 52 Councillors, the basic allowance being £4,100 per annum. In addition Councillors can claim a limited range of travel and sundry expenses. A total of £448,000 was paid during the year.

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at the rate of 10p & 17p per mile. In total £ 10,700 of expenses were reimbursed.

4. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and employees, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities.

ANNUAL GOVERNANCE STATEMENT (Continued)

Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy. A biennial review of the constitution was undertaken in 2009, together with a Member led review of the Council's democratic arrangements which resulted in a number of changes.

5. Capacity and Capability

Members

The Council has signed the IdeA Member Development Charter and is preparing an Action Plan to achieve Charter status. Role descriptions have been introduced for all Executive Councillors, other Councillors in receipt of special responsibility allowances, political group leaders and Ward Councillors

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

Licensing Committee/Panel
Development Management Panel
Standards Committee
Overview & Scrutiny Panels
Corporate Governance Panel.

Employees

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition corporate training programs such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

- ensures it has sufficient cash to meet its day-to-day obligations
- borrows when necessary to fund capital expenditure, including borrowing in advance when rates are considered to be low
- invests any surplus funds in a manner that balances low risk of default by the borrower

with a fair rate of interest.

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk.

The following is an extract from the 2009/10 Strategy produced in January 2009:

ANNUAL GOVERNANCE STATEMENT (Continued)

Risks associated with investments

The collapse of the Icelandic Banks in October 2008 resulted in the Capital Receipts Advisory Group (CRAG) reviewing its appetite for risk as regards counterparties that the Council would be willing to invest with. Whilst investments could be made with the Government's Debt Management Office which are theoretically risk-free, as they are backed by the Government, there is a significant downside to this level of safety in that the rates offered have been up to 2% below the market rate – a major issue when base rate itself is only 2%.

Following detailed discussion, CRAG recommended that the, then current, counterparty list of banks and building societies should continue to be used. They felt that Building societies are such key financial institutions within the UK that if one got into financial difficulties it would either be taken over by another building society or supported by the Government. They also have a significant proportion of their funds covered by retail savings so are less at the risk of market volatility.

Whilst we have a reasonable number of institutions to invest with, the list reduces every time a bank or building society is taken over by another institution. It is possible that the level of borrowing in anticipation of future needs could become limited by the availability of acceptable counterparties. This will be monitored closely.

Although many organisations rely on credit ratings to determine suitable counterparties and the Government advice refers to bodies with a "high" credit rating, recent events have shown that ratings are not totally reliable. The following changes have been made to mitigate this risk but they still only reduce it rather than remove it:

- The Council's Treasury Management advisors (Sterling) provide notice of institutions where the credit rating agencies have indicated a 'rating watch' which indicates that there may be a concern over the long-term stability of the bank or building society. These will often result in the counterparty being immediately removed from our list.
- Country limits have been set of £6M for non-EU countries, £10M for individual EU countries and £20M for EU in total. The EU limits exclude the UK.
- For shorter term investments the short-term credit rating is the most relevant, however as we may be investing in the medium-term when we have borrowed in advance it is prudent to take long-term credit ratings into account for any investment longer than 1 year. These should be A- or higher (FITCH) or the equivalent with other rating agencies."

Subsequent Restrictions

In order to manage risk whilst maintaining acceptable returns the following additional limitations have been introduced:

- Even if borrowing rates appear to be particularly good value compared with current and

expected trends, any additional forward borrowing to finance the Council's MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.

- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.
- Investments will not normally be for longer than one month.

ANNUAL GOVERNANCE STATEMENT (Continued)

- It is considered that the action taken when the Dunfermline Building Society got into difficulties endorsed the view that Building Societies will be protected by the Building Society industry or the Government and we have also been advised that the Dunfermline was in a much weaker position than the other Societies.

6 Internal Audit

Internal audit work 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. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

In respect of the 12 month period ending 31st August 2009, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, the controls operated by management are currently adequate"

8. Whistleblowing and Benefit Fraud

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Fraud Team have been selected as finalists in the national awards organised by the Institute of Revenues, Rating and Valuation for 'Excellence in Anti Fraud' and will hear whether they are the winners at the IRRV annual conference in October

9. Complaints Procedure

The Council has adopted a feedback procedure which is in place to identify and deal with failure in service delivery. Complaints, or feedback to help service improvement, can be made in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA and FOI

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

ANNUAL GOVERNANCE STATEMENT (Continued)

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by the Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in December 2008. For 2007/08 the Council has achieved a Use of Resources Assessment '3' score for the internal control theme, which includes risk management. A risk register is in place which is used to inform the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members

12. Assurance Framework

To ensure that the Council is complying with its Governance arrangements and meeting the requirements of the Code (as set out in the principles, core principles and specific requirements) an Assurance Framework in the form of an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan;
- continued reference to systems and reporting as necessary to provide assurance and support for good governance; and
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary

to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

13. Assurance

In March 2009 the CGP in taking account of the guidance issued by CIPFA in Jan 2009 agreed that the annual review of Governance arrangements will include the annual review of the effectiveness of the system of internal audit. The system of internal audit provides the framework of assurance necessary to satisfy the Council that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;

ANNUAL GOVERNANCE STATEMENT (Continued)

- the risk register and assurance on the operation of key controls;
- the Council's performance management framework revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success" in September 2008;
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- arrangements which have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2008/09 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the actions from external audits.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives, improve efficiency and achieve savings. A Partnership evaluation framework, including the criteria for the good governance of partnerships identified by the Audit Commission report "Governing Partnerships: Bridging the Accountability Gap" has been developed. The framework balances the need for appropriate governance of partnerships which reflect their cycle of development to ensure that innovation and new ways of working are not stifled by over-burdensome procedures, while at the same time ensuring that arrangements exist which are compatible with the governance needs of the Council. Using the framework the Council has undertaken an initial assessment of partnerships and a (3 year) programme is being implemented to continuously review and develop strategic and operational partnerships.

In addition the Council is actively involved in developing governance of County-wide partnerships, supporting the delivery of a Local Area Agreement (LAA). There is a continuing debate and review to ensure that Cambridgeshire Together and supporting structured – the partnership charged with ensuring the LAA – has appropriate governance arrangements.

15. Annual Audit and Inspection Letter: (March 2009)

The Annual Audit & Inspection Letter for 2007/08, provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

“Huntingdonshire District Council is improving outcomes in most areas that matter to local residents. Improvements continue to be made in environmental services, particularly in recycling and composting, and in keeping the district clean. Crime levels continue to reduce and remain low. The Council works well in many partnerships. It works effectively with its partners to improve job opportunities for local residents and acts well with other councils on enforcement issues and promoting recycling. Access to services has improved with the opening of a new customer service centre. Enhanced focus on migrants and new arrivals is assisting them to access Council services more effectively. The Council performs well in delivering value for money. But numbers of affordable houses completed has decreased.

ANNUAL GOVERNANCE STATEMENT (Continued)

Progress is being made on sustaining improvement. A range of plans have been adopted which clearly link to Council and community priorities. Objectives are being achieved, for example delivering choice based lettings. Plans and service development are based on needs identified through consultation. Capacity is being strengthened through joint working. Actions to address poorer performing services, such as planning, have delivered improvements”.

The Annual Audit and Inspection Letter highlighted two areas where action is needed by the Council:

- maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
- develop a stronger focus on outcomes measures.

The Annual Audit and Inspection Letter is available on the Council's website; http://www.huntsdc.gov.uk/NR/rdonlyres/6334B36A-3B71-46E3-B56D-514364A0FE21/0/audit_inspection_letter_march_2009.pdf and from the Head of People, Performance & Partnerships.

The Use of Resources Assessment is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council's priorities and to improve services.

The Use of Resources Assessment for 2007/08 covers five themes, each of which were assessed on a 1 – 4 scale, 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:-

Theme	2006/07	2007/08
Financial reporting	3	2
Financial management	3	3
Financial standing	3	3
Internal control	2	3
Value for money	3	3
Overall	3	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

For 2008/09 and as part of the Comprehensive Area Assessment (CAA – a new framework for assessment of local public services) a new organisational assessment has been introduced. The organisational assessment has two elements, Use of Resources assessment and Managing Performance (formerly known as the Direction of Travel).

The Use of resources assessment has three themes – Managing Finances, Governing the Business and Managing Resources. The Key Lines of Enquiry (KLOE) that support these themes are very similar to the previous framework with the exception of the KLOE that supports the theme Managing Resources, this is a new KLOE.

The emphasis of the assessment has also changed to one which is now focusing on the outcomes delivered as apposed to the systems and processes in place and consequently it is classed by the Audit Commission as a “harder test”. Therefore, to achieve a level 2 or 3 for the new assessment will be far more challenging.

The Use of Resources assessment will still be scored on the same scale of 1 to 4 and merged with the Managing Performance assessment, which will also be scored for the first time using the same 1 to 4 in order to provide an overall organisation score.

ANNUAL GOVERNANCE STATEMENT (Continued)

A self assessment for both the Use of Resources and Managing Performance assessment has been submitted to our external auditors. These assessments will feed into the CAA assessment with the results being made available in the autumn 2009.

Development areas identified by external organisations/inspections or by the Council are incorporated into the Council’s overall Improvement Plan. Progress on the achievement of this Plan is monitored by the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

- Put in place effective arrangements to identify and deal with failure in service delivery.
 - The corporate complaints system has been recast as part of a wider feedback system, which has been adopted by the Corporate Governance Panel in December 2008. The changes include the introduction of formal procedures to monitor and analyse feedback and to implement any necessary changes
- Tackle areas of comparative under performance
 - Overall performance as measured by performance indicators is positive, with 67 per cent of the Council’s performance indicators in 2007/08 improving against an all district average of between 57 and 59 per cent. This reflects its improvement over the last three years, with 66 per cent of indicators improving. In 2007/08, 33 per cent of the Council’s performance indicators were amongst the best in the country, an improvement on 2006/07 and matching the average for district council
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.
 - Performance has been consistently improving; for the 12 month period to July 2009, 68% of agreed audit actions have been introduced on time against the benchmark of 60%; and overall, 84% have been completed.
- Delivery of the Review of Council structure being led by Cabinet Member
 - The Review of the Council’s democratic structure was adopted by the Council in April 2009. Changes to internal systems & processes have been implemented from the

new municipal year. Community engagement proposals are subject to consultation with partners for implementation later in 2009/2010.

- Review of the Constitution to address any issues not dealt with in the structural review.
 - The biennial review of the Constitution has been undertaken and changes approved by Council in June 2009.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
 - Significant progress has been made in achieving the Council's improvement plan. An update on progress is monitored through the Comprehensive Performance Management Framework and considered quarterly by Cabinet.

ANNUAL GOVERNANCE STATEMENT (Continued)

- Undertake Partnership review programme
 - The framework, guidance and evaluation criteria have been revised to be more 'fit for purpose', and to better support and inform the current CAA process and was approved by COMT in July this year. In addition, a revised partnership list for evaluation purposes has been compiled with the feedback from Heads of Service and Activity Managers. The list consists of those partnerships which are considered to have a significant impact on the delivery of the strategic and operational priorities within the Sustainable Community Strategy and Growing Success. Work on the evaluation of these partnerships will commence in the autumn.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year –

- Code of Procurement
 - There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. Steps will be taken to improve the level of compliance.
- HSP evaluation
 - New guidance has been issued by the Audit Commission to help in the assessment of the Governance arrangements and effectiveness of the Local Strategic Partnerships. Consideration will be given to how this guidance can be implemented in conjunction with the Councils own Partnership framework.
- Audit Letter recommendations
 - maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
 - Develop a stronger focus on outcomes measures.
- Scrutiny Annual Report
 - Following changes to Overview and Scrutiny to ensure an Overview and Scrutiny annual report reflecting their work during 2009/10 is prepared to for publication.

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

ANNUAL GOVERNANCE STATEMENT (Continued)

Signed:
Ian Bates
Leader of the Council

Signed:
David Monks
Chief Executive

I hereby confirm that the Councils Corporate Governance Panel have approved the Governance Statement

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

Pathfinder House
St Mary's Street

HUNTINGDON
Cambs PE29 3TN
September, 2009

ACCOUNTING POLICIES

1 General

The Statement of Accounts summarises the Committee's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2007* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflect the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAPs) applicable to Local Government. The main policies adopted in compiling the accounts are set out below.

2 Accounting Concepts

These accounts have been prepared in accordance with the underlying concepts of

- A "going concern" i.e. a continuing business, although, the management of the Centre is being transferred from the Committee to Huntingdonshire District Council with effect from 1st April 2009.
- Accrual of income and expenditure.
- Primacy of legislative requirements.

Due regard is given to consistency and prudence where it does not conflict with the application of the primary concepts. The accounting statements are prepared with the objective of presenting fairly the financial position and transactions of the Committee.

3 Debtors and Creditors

In the revenue accounts income and expenditure are accounted for in the year in which they arise by the creation of debtors and creditors. All capital transactions are accounted for on a similar accruals basis.

4 Stock and Work in Progress

The value of stock held in the main stores is included in the accounts at average purchase price.

5 Pensions

Pension costs are charged to the Committee's accounts in respect of employees equal to the contributions paid to the funded pension scheme for these employees. These costs have been determined on the basis of contribution rates set in the actuarial valuation of the superannuation fund. The adoption of FRS17 results in additional cost representing the effect, in present value, of employee service in the year on the pension fund liability for future payments. Discretionary benefits awarded on early retirement are charged to service accounts as they become payable.

6 Leisure Centre Management Committees

The Leisure Centre Management Committees are constituted under section 102 of the Local Government Act 1972 and consequently are required to report independently of Huntingdonshire District Council by means of a separate statement of accounts. The Management Committees were decommissioned on 1st April 2009 and all assets and liabilities were transferred to Huntingdonshire district Council.

7. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one organisation and a financial liability in another organisation. Examples include:

- Goods received but payment not yet made
- Loans
- Investments
- Services delivered but payment not yet received

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (i.e. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (i.e. equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Committee has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount with no provision being made for doubtful debts.

Cash and equivalents

Cash and equivalents comprise cash in hand.

Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Committee has the following liabilities measured at amortised cost.

Creditors

Creditors are carried at their original invoice amount

Due to their nature and short-term maturity, the fair value for creditors is estimated using their carrying values

INCOME & EXPENDITURE ACCOUNT

2007/08 £'000		Note No	2008/09 £'000
	Income from Charges		
267	Swimming		259
145	Fitness Suite		139
391	Advantage Membership		420
400	Hospitality		391
5	Vending		5
96	Centre Functions		100
109	Civic Hall		109
325	Other Indoor Activities		326
80	Synthetic & Outdoor Pitches		80
<u>1,818</u>			<u>1,829</u>
	Income from Partner Contributions	1	
756	Huntingdonshire District Council		673
228	Cambridgeshire County Council		225
<u>984</u>			<u>898</u>
2,802	Total Income		2,727
	Expenditure		
<u>2,528</u>	Operational Expenditure		<u>2,437</u>
2,528	Total Expenditure		2,437
<u>-274</u>	Surplus(-)/Deficit for the year		<u>-290</u>

STATEMENT OF MOVEMENT ON THE LEISURE CENTRE RESERVE

2007/08 £'000		2008/09 £'000
-274	Surplus (-) / Deficit for the Year	-290
<u>275</u>	Add Capital Charges	<u>287</u>
<u>1</u>	Contribution to(-) / from Repair & Renewals Fund	<u>-3</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08		2008/09
£'000		£'000
-274	Surplus (-) / Deficit on the Income & Expenditure Account	-290
-274	Total recognised gain (-) / loss for the year	-290

BALANCE SHEET AS AT 31ST MARCH 2009

2007/08 £'000		Note No		2008/09 £'000
	Current Assets			
5	Cash			5
24	Stock	7		28
149	Debtors	8		130
2	Payments in Advance			9
180				172
	Current Liabilities			
90	Creditors	9		88
34	Receipts in Advance			25
124				113
56	Net Current Assets			59
56	Total Assets less Liabilities			59
	Financed By:			
56	Earmarked Reserves (R & R Fund)	10		59

23rd June 2009

CASH FLOW STATEMENT

	2007/08 £'000		2008/09 £'000
	Revenue Activities		
	<i>Cash Outflows</i>		
	1,319	Employment Costs	1,309
	1,504	Other Operating Cash payments	1,428
	<i>Cash Inflows</i>		
	-1,823	Cash received for goods & services	-1,785
	-1,000	Contributions from Partners	-952
	0	Capital Activities	0
	0	Financing	0
	0	Change in Cash & Cash Equivalents	0

Income and Expenditure Account

1 Related Party transactions

Material transactions with related parties during 2008/09 were income amounts and are listed below:-

	2007/08	2008/09
	£'000	£'000
Huntingdonshire District Council	756	673
Cambridgeshire County Council	228	225

6 Expenditure on Publicity

Under section 5 of the Local Government Act 1986, the Committee is required to disclose the level of expenditure incurred on publicity. The spending on publicity as defined by the Act, totalled £29,000 during 2007/08 and £21,000 during 2008/09.

	2007/08	2008/09
	£'000	£'000
Recruitment Advertising	8	5
Other Advertising	21	16
Total	29	21

6 Pension Costs

Huntingdonshire District Council, on behalf of the Committee, participates in a funded defined benefit pension scheme administered by Cambridgeshire County Council. The last triennial actuarial valuation of the fund was at 31st March 2007.

The statement of fund assets and liabilities is shown in the notes to the Statement of Accounts of Huntingdonshire District Council in which lies responsibility for pension liabilities in respect of employees working at the Leisure Centre.

In 2008/09 the Committee paid an employer's contribution of £100k, representing 16.3% of employees pensionable pay into Cambridgeshire County Council's Superannuation Fund, which provides members with defined benefits related to pay and service. The contribution rate was determined by the fund's actuary based on triennial valuations, reviewed at 31st March 2007. The adoption of FRS17 results in additional direct costs in 2008/09 of £8k (£20k in 2007/08) representing the present value of employee service in the year on the pension fund liability for future payments.

In addition, the Committee is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

Further information can be found in the Cambridgeshire County Council Pension Fund Annual Report which is available on request from The Director of Resources, Shire Hall, Cambridge CB3 0AP.

6 Officers emoluments and Members allowances

No employee's remuneration in the year exceeded £50,000. Members allowances are paid by the authorities appointing those Members.

6 Audit Fees

External audit fees charged to the Committee's accounts were £5,625, this amount is for the 2008/09 audit (£4,200 in 2007/08).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Capital Expenditure

Huntingdonshire District Council finances all capital expenditure except where partners have agreed to make a contribution towards the total scheme cost or where specific contributions or grants are received. This year £28k was received from Sport England towards the cost of the air handling unit and £8k was received from St Ives Cricket Club in respect of the work to the cricket practice area.

Details of gross capital expenditure during the year are shown below.

	2007/08 £'000	2008/09 £'000
Main Leisure Centre Roof		426
Other Facilities		
Outdoor Centre – Including Air Handling Unit & Cricket Practice Area	35	70
Changing Rooms	11	2
Synthetic Pitch	1	16
Swimming Pool Filters		10
Major Repairs/Replacement Work	7	56
Total	54	580

BALANCE SHEET

7 Stock

31 March 2008	31 March 2009
£'000	£'000
21	19
0	0
3	9
24	28

8 Debtors

The following amounts all fall due in one year, there is no provision for bad debts.

31 March 2008	31 March 2009
£'000	£'000
120	13
0	35
1	3
28	79
149	130

9 Creditors

31 March 2008	31 March 2009
£'000	£'000
9	8
81	80
90	88

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Revenue Reserves

£'000

Repairs & Renewals Fund

Balance 1 st April 2007	56	
Movement	3	
Balance 31 st March 2008	59	

NOTES TO THE CASH FLOW STATEMENT

11 General

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. These are represented by movements in the balance owed to or from Huntingdonshire District Council.

12 Changes in cash and cash equivalents

All cash transactions are processed through the bank accounts of Huntingdonshire District Council. The Committee therefore always has a net nil change to cash and cash equivalents.

Other Notes

13 Financial Instruments

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. Their fair value can be assessed by calculating the present value of the cash flows. Due to the short-term nature of assets and liabilities the fair value is equivalent to the carrying value.

The fair values of the Committee's financial instruments, together with the carrying amounts included on the balance sheet are analysed as follows:

31 March 2008		31 March 2009	
Carrying amount	Fair value	Carrying amount	Fair value
£000s	£000s	£000s	£000s
Financial assets			
<i>Loans and receivables</i>			
149	149	130	130
Total debtors			
5	5	5	5
Cash and equivalents			
154	154	135	135
Total			
Financial liabilities by class			
<i>Other liabilities at amortised cost</i>			
90	90	88	88
Total creditors			
90	90	88	88
Total			

Nature and extent of risks arising from Financial Instruments

The Committee's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay sums due
- Liquidity risk – the possibility that the Committee might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates

Credit risk

Credit risk arises from credit exposures to the Committee's customers and Public Sector debtors

In relation to the sums owed by the Committee's customers and contractual debtors, the Committee has assessed the nature, historic losses and age of the debts and has made no provision to cover potential losses.

Liquidity risk

As the expenditure of the Committee is funded by Huntingdonshire District Council there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

Market risk

The Committee has minimal exposure to market risk because its investments and loans are at fixed rates of interest.

CORPORATE GOVERNENCE PANEL CERTIFICATION

I confirm that these accounts and the accounting policies were approved by Huntingdonshire District Council's Corporate Governance Panel at their meeting held on the 23rd June 2009.

Signed on behalf of the St. Ivo Leisure Centre Management Committee:

Chairman of the meeting approving the accounts: _____

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ST. NEOTS LEISURE CENTRE

***Statement of Accounts
For the Year Ended 31st March 2009***

Management Committee Chairman 2008/09 St. Neots Leisure Centre	Councillor A Hansard
Officers of Huntingdonshire District Council Chief Executive Corporate Director, Commerce & Technology	Mr D Monks Mr T Parker
Auditors	Grant Thornton UK LLP

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Opinion on the financial statements

We have audited the Committee accounting statements and related notes of St Neots Leisure Centre Management Committee for the year ended 31 March 2009 under the Audit Commission Act 1998. The Committee accounting statements comprise the Committee Income and Expenditure Account, the Committee Statement of the Movement on the Leisure Centre Reserve, the Committee Balance Sheet, the Committee Statement of Total Recognised Gains and Losses, the Committee Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of St Neots Leisure Centre Management Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee and the Committee's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Committee accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Committee and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Committee's corporate governance procedures or its risk and control procedures.

We read other information published with the Committee accounting statements, and consider whether it is consistent with the audited Committee accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Committee accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the Committee accounting statements and related notes, and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Committee accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Committee accounting statements and related notes.

Opinion

In our opinion the Committee financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Committee as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources***Committee's Responsibilities***

The Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, the Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Winrow
Senior Statutory Auditor

For GRANT THORNTON UK LLP
Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

22 September 2009

INTRODUCTION AND FINANCIAL SUMMARY

INTRODUCTION

St. Neots Leisure Centre is one of five Leisure Centres in the local area, each Centre is overseen by a Management Committee, constituted under section 102 of the Local Government Act 1972. The membership of the St. Neots Committee is drawn from the following partners;

Huntingdonshire District Council
Cambridgeshire County Council
St Neots Community College

Huntingdonshire District Council employs all the staff working at the Centre and processes all financial transactions through its bank accounts. However, being a separate statutory body from the District Council, the Management Committee is required to prepare an individual statement of accounts in accordance with the Accounts and Audit Regulations.

The 2008/09 financial year, is the last year that separate accounts will be produced for the Centre because by mutual agreement of the Management Committee members, the agreement is being terminated with effect from 31st March 2009.

In order to provide the public with a meaningful report on the financial affairs of local council services, a Statement of Recommended Practice on Local Authority Accounting (the SORP) has been approved. This sets out the form and content of the accounts and this Statement of Accounts complies with the SORP. The SORP is updated annually to reflect the latest developments in accountancy – last year there were significant changes but this year there are no major changes affecting the presentation or content of the financial statements.

The financial statements in this booklet represent the accounts of St. Neots Leisure Centre for 2008/09, including a Balance Sheet, which summarises the Management Committee's assets and liabilities at 31st March 2009, and a cash flow statement which sets out where the money came from and how it was spent. Where relevant, explanatory notes on pages 30 to 33 give greater detail.

FINANCIAL OVERVIEW

The financial performance of St. Neots Leisure Centre is summarised in the table below:-

	Budget £'000	Actual £'000	Variation £'000
Expenditure	1,931	1,789	-142
Less Charges	997	993	-4
Partner Contributions	97	97	0
HDC	837	694	-143
Contribution to (-) from Reserves	0	5	+5

More detail is shown in the financial statements on page 26.

This year expenditure at the Leisure Centre was below the budget by £142k. General running costs were £83k below the budget mainly due to savings on employee costs and utility bills. Leisure Centres are being asked to reduce their running costs and St Neots has been successful in this task. Income from charges achieved the expected levels despite continued disruption at the Centre because of adaptations to the reception areas and the site's offices.

INTRODUCTION AND FINANCIAL SUMMARY (Continued)

Uncertainty as to whether Local Authorities would still be excluded from the irrecoverable VAT on "exempt" services calculation led to the Centre budgeting to cover this potential cost. During the year, the Inland Revenue confirmed that Local Authorities were exempt from this calculation, saving the Centre £25k.

The accounting requirement to recognise the effect, in present value, of employee service in the current year on the pension fund liability for future payments resulted in expenditure of £6k being incurred. This is £11k lower than expected.

Charges from Huntingdonshire District Council for support services, which reflects the cost of staff time spent on work for the Centre, were £40k lower than expected. The charges for capital investment, which vary due to changes in the timing and cost of individual schemes to improve or extend facilities, were £17k higher than expected.

Contributions towards the running costs of the Centre are received from the County Council in respect of the use of the facilities for educational purposes. The level of these contributions are determined by the cost share agreement signed by the interested parties when the centre was first opened. Huntingdonshire District Council finances the revenue deficit and provides the capital resources for new investment. In the past, capital contributions have been made by the other partners towards the costs of some schemes.

Huntingdonshire District Council charges the Centre for the management of the centre and for the financing of the capital investment.

BALANCE SHEET

The overall position as at 31st March 2009 is presented in the Balance Sheet on page 28.

The balance sheet shows revenue reserves totalling £18k.

CAPITAL

In 2008/09 there was capital investment of £697k to develop the assets of the Leisure Centre. Details are given on page 31. Huntingdonshire District Council initially financed all of this expenditure however, Cambridgeshire County Council will be reimbursing the District Council 26.1% of the costs of certain schemes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Leisure Centre Management Committees' Responsibilities

The St. Neots Leisure Centre Management Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its partner authorities officers has the responsibility for the administration of those affairs. For all the Management Committees that officer is Huntingdonshire District Councils Corporate Director, Commerce and Technology.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Corporate Director, Commerce and Technology's Responsibilities

The Corporate Director, Commerce and Technology is responsible for the preparation of the Leisure Centre Management Committee's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the code), is required to present fairly the financial position of the Committee at the accounting date and its income and expenditure for the year ending 31st March 2009.

In preparing this statement of accounts, the Corporate Director has

- selected suitable accounting policies and then applied them consistently.
- made judgments and estimates that were reasonable and prudent.
- complied with the local authority SORP.

The Corporate Director has also

- kept proper accounting records which were up to date at the date of preparation of these accounting statements.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL GOVERNANCE STATEMENT

Up until 31st March 2009, Huntingdonshire District Council (HDC) and Cambridgeshire County Council delegated responsibility for their executive functions relating to the administration and management of St Neots Leisure Centre to a joint committee under Section 102 of the Local Government Act 1972. The St Neots Leisure Centre Management Committee (SNLCMC) comprised representatives of the District and County Councils and the Governing Body of St Neots Community College. Under the management agreement and constitution of the joint committee agreed by the District and County Councils, officers of the District Council acted as the Secretary and Treasurer of the joint committee and the County Council's Architect acted as Architect to the joint committee. The Monitoring Officer and Chief Financial Officer of the District Council acted in these capacities for the joint committee. All persons employed at the Leisure Centre were employees of the District Council and the Governance arrangements in place at the District Council (as set out in full below) also applied to St Neots Leisure Centre.

From 1st April 2009 the Centre's joint committee has been disbanded and Huntingdonshire District Council has full responsibility for the management of the Centre.

HUNTINGDONSHIRE DISTRICT COUNCIL

GOVERNANCE STATEMENT

Huntingdonshire District Council is responsible for ensuring that –

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

In carrying out these duties, Members and employees are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at <http://www.Huntsdc.gov.uk/Councils+and+Democracy/Council/Code+of+Corporate+Governance.htm> and hard copies are available on request from the Policy & Strategic Services Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies 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 Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

- focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.
- Members and employees working together to achieve a common purpose with clearly defined functions and roles.
- promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

ANNUAL GOVERNANCE STATEMENT (Continued)

- developing the capacity and capability of Members and employees to be effective.
- engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2009 and up to and including the date of approval of the statement of accounts.

The Council's powers and duties of Council, Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal Audit which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approve the annual statement in that respect.

In turn the Council's Head of Law, Property & Governance and 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
- reviewing and reporting 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 key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

6. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website at <http://www.huntsdc.gov.uk/NR/rdonlyres/OC4046F2-C533-437B-B16A-C2BAE99C03C1/0/CommunityStrategy.pdf>. The Strategy was reviewed and re-adopted by the Council in September 2008. In addition the Council's Corporate Plan, "Growing Success", sets out our vision and our purpose in the context of the Community Strategy. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. In turn, both "Growing Our Communities" and "Growing Success" are supported by a series of Plans and policies to achieve the vision and aims for Huntingdonshire. These Plans are supported by a comprehensive performance management framework which monitors the achievement of targets and measures.

The Council's Communications & Marketing and Consultation & Engagement Strategies are used to promote and guide communications and engagement with local residents and to ensure that the vision and supporting plans are shared with local residents and other stakeholders. Extensive consultation and engagement has been used to develop the plans and regular surveys are carried out to gauge satisfaction with the achievement of the vision.

2. Roles & responsibilities

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and local residents by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

A Member-led cross party review of the Council's democratic arrangements was undertaken in 2008/09 that evaluated the Council's performance since the adoption of the current structure, the implications of change necessitated by the Local Government and Public Involvement in Health Act 2007 and the emerging themes of strengthening local democracy in recent Government consultation documents and guidance.

The review concluded that the existing structure had worked well since its inception and the principles of the executive/scrutiny split had become embedded in the organisation. Nevertheless, the Council agreed various changes to promote local democracy and community engagement in the process, involving –

- a new look to Council meetings with headline debates, Cabinet 'white paper' proposals, monitoring of LAA performance, public question time and evening meetings;
- public consultation on a move to an executive leader in 2011;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;
- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IdeA Member Development Charter to enhance support for elected councillors.

Cabinet

Chaired by the Leader of the Council, the Cabinet has responsibility for all executive functions of the authority. Having moved to monthly evening meetings following the review of the democratic structure, the Cabinet is now better placed to consider reports and recommendations from Overview and Scrutiny Panels that meet earlier in the month.

Portfolios of executive responsibilities are allocated by the Leader to seven executive councillors with the Deputy Leader now concentrating on a supportive function with specific responsibility for Member development and achievement of the IdeA Member Development Charter.

ANNUAL GOVERNANCE STATEMENT (Continued)

Key decisions, defined as issues involving income/expenditure of £50,000 plus or that affect two or more wards, are listed in a Forward Plan publicised four months in advance with executive decisions published within three days to facilitate potential call-in by scrutiny.

The arrangements for delegated decision making, the conduct of business at meetings etc. are defined in Cabinet procedure rules contained in the Council's constitution.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Social Well-Being, Environmental Well-Being, and Economic Well-Being) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution. The composition of the three Panels reflect the three main principles of the Sustainable Community Strategy.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any Joint Committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- scrutinise the performance of partnerships in relation to LAA targets and crime and disorder;
- exercise the Councillor "call for action" arrangements;
- consider any matter affecting the area or its inhabitants; and
- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a Committee of the Cabinet or a key decision made by an Officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place. An annual report for 2008/09 has been put on hold for the current year as a result of the changes arising from the restructuring of the overview & scrutiny panels, implementation of partnership scrutiny and resourcing issues

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- ensuring that the financial management of the Council is adequate and effective;
- approving the Council's statement of accounts;
- ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk;
- considering the Council's Code of Corporate Governance and approving the annual statement in that respect;
- determination of the Council's feedback procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence; and
- receiving and considering the external auditor's reports including the Annual Report to those charged with Governance and the Annual Audit Letter.

3. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council.

Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests.

A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints about standards of behaviour and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. Since May 2008 the monitoring officer has received and dealt with 19 complaints of which 2 were referred for further investigation, no action was necessary in 3 cases and the remainder were referred to the monitoring officer for further action, such as training. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were set by the Council in February 2007 to come into effect in May of that year. A further review by the Independent Remuneration Panel is therefore not required until 2011.

During the year a total of £389,000 was paid to 52 Councillors, the basic allowance being £4,100 per annum. In addition Councillors can claim a limited range of travel and sundry expenses. A total of £448,000 was paid during the year.

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at the rate of 10p & 17p per mile. In total £ 10,700 of expenses were reimbursed.

4. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and employees, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities.

Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy. A biennial review of the constitution was undertaken in 2009, together with a Member led review of the Council's democratic arrangements which resulted in a number of changes.

5. Capacity and Capability

Members

The Council has signed the IdeA Member Development Charter and is preparing an Action Plan to achieve Charter status. Role descriptions have been introduced for all Executive Councillors, other Councillors in receipt of special responsibility allowances, political group leaders and Ward Councillors

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

Licensing Committee/Panel
Development Management Panel
Standards Committee
Overview & Scrutiny Panels
Corporate Governance Panel.

Employees

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition corporate training programs such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

- ensures it has sufficient cash to meet its day-to-day obligations
- borrows when necessary to fund capital expenditure, including borrowing in advance when rates are considered to be low
- invests any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk.

The following is an extract from the 2009/10 Strategy produced in January 2009:

Risks associated with investments

The collapse of the Icelandic Banks in October 2008 resulted in the Capital Receipts Advisory Group (CRAG) reviewing its appetite for risk as regards counterparties that the Council would be willing to invest with. Whilst investments could be made with the Government's Debt Management Office which are theoretically risk-free, as they are backed by the Government, there is a significant downside to this level of safety in that the rates offered have been up to 2% below the market rate – a major issue when base rate itself is only 2%.

Following detailed discussion, CRAG recommended that the, then current, counterparty list of banks and building societies should continue to be used. They felt that Building societies are such key financial institutions within the UK that if one got into financial difficulties it would either be taken over by another building society or supported by the Government. They also have a significant proportion of their funds covered by retail savings so are less at the risk of market volatility.

Whilst we have a reasonable number of institutions to invest with, the list reduces every time a bank or building society is taken over by another institution. It is possible that the level of borrowing in anticipation of future needs could become limited by the availability of acceptable counterparties. This will be monitored closely.

Although many organisations rely on credit ratings to determine suitable counterparties and the Government advice refers to bodies with a "high" credit rating, recent events have shown that ratings are not totally reliable. The following changes have been made to mitigate this risk but they still only reduce it rather than remove it:

- The Council's Treasury Management advisors (Sterling) provide notice of institutions where the credit rating agencies have indicated a 'rating watch' which indicates that there may be a concern over the long-term stability of the bank or building society. These will often result in the counterparty being immediately removed from our list.
- Country limits have been set of £6M for non-EU countries, £10M for individual EU countries and £20M for EU in total. The EU limits exclude the UK.
- For shorter term investments the short-term credit rating is the most relevant, however as we may be investing in the medium-term when we have borrowed in advance it is prudent to take long-term credit ratings into account for any investment longer than 1 year. These should be A- or higher (FITCH) or the equivalent with other rating agencies."

Subsequent Restrictions

In order to manage risk whilst maintaining acceptable returns the following additional limitations have been introduced:

- Even if borrowing rates appear to be particularly good value compared with current and expected trends, any additional forward borrowing to finance the Council's MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.
- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.
- Investments will not normally be for longer than one month.

- It is considered that the action taken when the Dunfermline Building Society got into difficulties endorsed the view that Building Societies will be protected by the Building Society industry or the Government and we have also been advised that the Dunfermline was in a much weaker position than the other Societies.

7. Internal Audit

Internal audit work 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. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

In respect of the 12 month period ending 31st August 2009, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, ... the controls operated by management are currently adequate"

8. Whistleblowing and Benefit Fraud

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Fraud Team have been selected as finalists in the national awards organised by the Institute of Revenues, Rating and Valuation for 'Excellence in Anti Fraud' and will hear whether they are the winners at the IRRV annual conference in October

9. Complaints Procedure

The Council has adopted a feedback procedure which is in place to identify and deal with failure in service delivery. Complaints, or feedback to help service improvement, can be made in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA and FOI

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by the Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in December 2008. For 2007/08 the Council has achieved a Use of Resources Assessment '3' score for the internal control theme, which includes risk management. A risk register is in place which is used to inform the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members

12. Assurance Framework

To ensure that the Council is complying with its Governance arrangements and meeting the requirements of the Code (as set out in the principles, core principles and specific requirements) an Assurance Framework in the form of an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan;
- continued reference to systems and reporting as necessary to provide assurance and support for good governance; and
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

13. Assurance

In March 2009 the CGP in taking account of the guidance issued by CIPFA in Jan 2009 agreed that the annual review of Governance arrangements will include the annual review of the effectiveness of the system of internal audit. The system of internal audit provides the framework of assurance necessary to satisfy the Council that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;

ANNUAL GOVERNANCE STATEMENT (Continued)

- the risk register and assurance on the operation of key controls;
- the Council's performance management framework revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success" in September 2008;
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- arrangements which have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2008/09 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the actions from external audits.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives, improve efficiency and achieve savings. A Partnership evaluation framework, including the criteria for the good governance of partnerships identified by the Audit Commission report "Governing Partnerships: Bridging the Accountability Gap" has been developed. The framework balances the need for appropriate governance of partnerships which reflect their cycle of development to ensure that innovation and new ways of working are not stifled by over-burdensome procedures, while at the same time ensuring that arrangements exist which are compatible with the governance needs of the Council. Using the framework the Council has undertaken an initial assessment of partnerships and a (3 year) programme is being implemented to continuously review and develop strategic and operational partnerships.

In addition the Council is actively involved in developing governance of County-wide partnerships, supporting the delivery of a Local Area Agreement (LAA). There is a continuing debate and review to ensure that Cambridgeshire Together and supporting structured – the partnership charged with ensuring the LAA – has appropriate governance arrangements.

15. Annual Audit and Inspection Letter: (March 2009)

The Annual Audit & Inspection Letter for 2007/08, provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

"Huntingdonshire District Council is improving outcomes in most areas that matter to local residents. Improvements continue to be made in environmental services, particularly in recycling and composting, and in keeping the district clean. Crime levels continue to reduce and remain low. The Council works well in many partnerships. It works effectively with its partners to improve job opportunities for local residents and acts well with other councils on enforcement issues and promoting recycling. Access to services has improved with the opening of a new customer service centre. Enhanced focus on migrants and new arrivals is assisting them to access Council services more effectively. The Council performs well in delivering value for money. But numbers of affordable houses completed has decreased.

ANNUAL GOVERNANCE STATEMENT (Continued)

Progress is being made on sustaining improvement. A range of plans have been adopted which clearly link to Council and community priorities. Objectives are being achieved, for example delivering choice based lettings. Plans and service development are based on needs identified through consultation. Capacity is being strengthened through joint working. Actions to address poorer performing services, such as planning, have delivered improvements”.

The Annual Audit and Inspection Letter highlighted two areas where action is needed by the Council:

- maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
- develop a stronger focus on outcomes measures.

The Annual Audit and Inspection Letter is available on the Council’s website; http://www.huntsdc.gov.uk/NR/rdonlyres/6334B36A-3B71-46E3-B56D-514364A0FE21/0/audit_inspection_letter_march_2009.pdf and from the Head of People, Performance & Partnerships.

The Use of Resources Assessment is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council’s priorities and to improve services.

The Use of Resources Assessment for 2007/08 covers five themes, each of which were assessed on a 1 – 4 scale, 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:-

Theme	2006/07	2007/08
Financial reporting	3	2
Financial management	3	3
Financial standing	3	3
Internal control	2	3
Value for money	3	3
Overall	3	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

For 2008/09 and as part of the Comprehensive Area Assessment (CAA – a new framework for assessment of local public services) a new organisational assessment has been introduced. The organisational assessment has two elements, Use of Resources assessment and Managing Performance (formerly known as the Direction of Travel).

The Use of resources assessment has three themes – Managing Finances, Governing the Business and Managing Resources. The Key Lines of Enquiry (KLOE) that support these themes are very similar to the previous framework with the exception of the KLOE that supports the theme Managing Resources, this is a new KLOE.

The emphasis of the assessment has also changed to one which is now focusing on the outcomes delivered as apposed to the systems and processes in place and consequently it is classed by the Audit Commission as a “harder test”. Therefore, to achieve a level 2 or 3 for the new assessment will be far more challenging.

The Use of Resources assessment will still be scored on the same scale of 1 to 4 and merged with the Managing Performance assessment, which will also be scored for the first time using the same 1 to 4 in order to provide an overall organisation score.

ANNUAL GOVERNANCE STATEMENT (Continued)

A self assessment for both the Use of Resources and Managing Performance assessment has been submitted to our external auditors. These assessments will feed into the CAA assessment with the results being made available in the autumn 2009.

Development areas identified by external organisations/inspections or by the Council are incorporated into the Council's overall Improvement Plan. Progress on the achievement of this Plan is monitored by the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

- Put in place effective arrangements to identify and deal with failure in service delivery.
 - The corporate complaints system has been recast as part of a wider feedback system, which has been adopted by the Corporate Governance Panel in December 2008. The changes include the introduction of formal procedures to monitor and analyse feedback and to implement any necessary changes
- Tackle areas of comparative under performance
 - Overall performance as measured by performance indicators is positive, with 67 per cent of the Council's performance indicators in 2007/08 improving against an all district average of between 57 and 59 per cent. This reflects its improvement over the last three years, with 66 per cent of indicators improving. In 2007/08, 33 per cent of the Council's performance indicators were amongst the best in the country, an improvement on 2006/07 and matching the average for district council
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.
 - Performance has been consistently improving; for the 12 month period to July 2009, 68% of agreed audit actions have been introduced on time against the benchmark of 60%; and overall, 84% have been completed.
- Delivery of the Review of Council structure being led by Cabinet Member
 - The Review of the Council's democratic structure was adopted by the Council in April 2009. Changes to internal systems & processes have been implemented from the new municipal year. Community engagement proposals are subject to consultation with partners for implementation later in 2009/2010.
- Review of the Constitution to address any issues not dealt with in the structural review.
 - The biennial review of the Constitution has been undertaken and changes approved by Council in June 2009.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
 - Significant progress has been made in achieving the Council's improvement plan. An update on progress is monitored through the Comprehensive Performance Management Framework and considered quarterly by Cabinet.

- Undertake Partnership review programme
 - The framework, guidance and evaluation criteria have been revised to be more 'fit for purpose', and to better support and inform the current CAA process and was approved by COMT in July this year. In addition, a revised partnership list for evaluation purposes has been compiled with the feedback from Heads of Service and Activity Managers. The list consists of those partnerships which are considered to have a significant impact on the delivery of the strategic and operational priorities within the Sustainable Community Strategy and Growing Success. Work on the evaluation of these partnerships will commence in the autumn.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year –

- Code of Procurement
 - There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. Steps will be taken to improve the level of compliance.
- HSP evaluation
 - New guidance has been issued by the Audit Commission to help in the assessment of the Governance arrangements and effectiveness of the Local Strategic Partnerships. Consideration will be given to how this guidance can be implemented in conjunction with the Councils own Partnership framework.
- Audit Letter recommendations
 - maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
 - Develop a stronger focus on outcomes measures.
- Scrutiny Annual Report
 - Following changes to Overview and Scrutiny to ensure an Overview and Scrutiny annual report reflecting their work during 2009/10 is prepared to for publication.

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

ANNUAL GOVERNANCE STATEMENT (Continued)

Signed:
Ian Bates
Leader of the Council

Signed:
David Monks
Chief Executive

I hereby confirm that the Councils Corporate Governance Panel have approved the Governance Statement

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

Pathfinder House
St Mary's Street
HUNTINGDON
Cambs PE29 3TN
September, 2009

ACCOUNTING POLICIES

1 General

The Statement of Accounts summarises the Committee's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2007* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflect the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAPs) applicable to Local Government. The main policies adopted in compiling the accounts are set out below.

2 Accounting Concepts

These accounts have been prepared in accordance with the underlying concepts of

- A "going concern" i.e. a continuing business, although, the management of the Centre is being transferred from the Committee to Huntingdonshire District Council with effect from 1st April 2009.
- Accrual of income and expenditure.
- Primacy of legislative requirements.

Due regard is given to consistency and prudence where it does not conflict with the application of the primary concepts. The accounting statements are prepared with the objective of presenting fairly the financial position and transactions of the Committee.

3 Debtors and Creditors

In the revenue accounts income and expenditure are accounted for in the year in which they arise by the creation of debtors and creditors. All capital transactions are accounted for on a similar accruals basis.

4 Stock and Work in Progress

The value of stock held in the main stores is included in the accounts at average purchase price.

5 Pensions

Pension costs are charged to the Committee's accounts in respect of employees equal to the contributions paid to the funded pension scheme for these employees. These costs have been determined on the basis of contribution rates set in the actuarial valuation of the superannuation fund. The adoption of FRS17 results in additional cost representing the effect, in present value, of employee service in the year on the pension fund liability for future payments. Discretionary benefits awarded on early retirement are charged to service accounts as they become payable.

6 Leisure Centre Management Committees

The Leisure Centre Management Committees are constituted under section 102 of the Local Government Act 1972 and consequently are required to report independently of Huntingdonshire District Council by means of a separate statement of accounts. The Management Committees were decommissioned on 1st April 2009 and all assets and liabilities were transferred to Huntingdonshire district Council.

7. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one organisation and a financial liability in another organisation. Examples include:

- Goods received but payment not yet made
- Loans
- Investments
- Services delivered but payment not yet received

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (i.e. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (i.e. equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Committee has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount with no provision being made for doubtful debts.

Cash and equivalents

Cash and equivalents comprise cash in hand.

Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Committee has the following liabilities measured at amortised cost.

Creditors

Creditors are carried at their original invoice amount

Due to their nature and short-term maturity, the fair value for creditors is estimated using their carrying values

INCOME & EXPENDITURE ACCOUNT

2007/08 £'000		Note No	2008/09 £'000
	Income from Charges		
168	Swimming		313
90	Fitness Suite		83
194	Advantage Membership		210
71	Hospitality		70
40	Vending		45
181	Other Indoor Activities		175
77	Synthetic & Outdoor Pitches		70
821			966
0	Income from Misc Grants		27
	Income from Partner Contributions	1	
638	Huntingdonshire District Council		694
79	Cambridgeshire County Council		97
717			791
1,538	Total Income		1,784
	Expenditure		
1,395	Operational Expenditure		1,639
1,395	Total Expenditure		1,639
-143	Surplus(-)/Deficit for the year		-145

STATEMENT OF MOVEMENT ON THE LEISURE CENTRE RESERVE

2007/08 £'000		2008/09 £'000
-143	Surplus (-) / Deficit for the Year	-145
136	Add Capital Charges	150
-7	Contribution to(-) / from Repair & Renewals Fund	5

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
-------------------------------------------------------	--	--

2007/08		2008/09
£'000		£'000
-143	Surplus (-) / Deficit on the Income & Expenditure Account	-145
-143	Total recognised gain (-) / loss for the year	-145

BALANCE SHEET AS AT 31ST MARCH 2009

2007/08 £'000		Note No		2008/09 £'000
Current Assets				
1	Cash			1
6	Stock	7		11
72	Debtors	8		66
<u>2</u>	Payments in Advance			<u>5</u>
81				83
Current Liabilities				
55	Creditors	9		35
<u>3</u>	Receipts in Advance			<u>30</u>
58				65
23	Net Current Assets			18
<u>23</u>	Total Assets less Liabilities			<u>18</u>
Financed By:				
<u>23</u>	Earmarked Reserves (R & R Fund)	10		<u>18</u>

23rd June 2009

CASH FLOW STATEMENT	
----------------------------	--

2007/08		2008/09
£'000		£'000
	Revenue Activities	
	<i>Cash Outflows</i>	
734	Employment Costs	896
794	Other Operating Cash payments	921
	<i>Cash Inflows</i>	
-815	Cash received for goods & services	-1,011
-713	Contributions from Partners	-806
	0 Capital Activities	0
	0 Financing	0
0	Change in Cash & Cash Equivalents	0

NOTES TO THE FINANCIAL STATEMENTS

Income and Expenditure Account

1 Related Party transactions

Material transactions with related parties during 2008/09 were income amounts and are listed below:-

	2007/08 £'000	2008/09 £'000
Huntingdonshire District Council	638	694
Cambridgeshire County Council	79	97

2 Expenditure on Publicity

Under section 5 of the Local Government Act 1986, the Committee is required to disclose the level of expenditure incurred on publicity. The spending on publicity as defined by the Act, totalled £17,000 during 2007/08 and £15,000 during 2008/09.

	2007/08 £'000	2008/09 £'000
Recruitment Advertising	5	3
Other Advertising	12	12
Total	17	15

3 Pension Costs

Huntingdonshire District Council, on behalf of the Committee, participates in a funded defined benefit pension scheme administered by Cambridgeshire County Council. The last triennial actuarial valuation of the fund was at 31st March 2007.

The statement of fund assets and liabilities is shown in the notes to the Statement of Accounts of Huntingdonshire District Council in which lies responsibility for pension liabilities in respect of employees working at the Leisure Centre.

In 2008/09 the Committee paid an employer's contribution of £74k, representing 16.3% of employees pensionable pay into Cambridgeshire County Council's Superannuation Fund, which provides members with defined benefits related to pay and service. The contribution rate was determined by the fund's actuary based on triennial valuations, reviewed at 31st March 2007. The adoption of FRS17 results in additional direct costs in 2008/09 of £6k (£12k in 2007/08) representing the present value of employee service in the year on the pension fund liability for future payments.

In addition, the Committee is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

Further information can be found in the Cambridgeshire County Council Pension Fund Annual Report which is available on request from The Director of Resources, Shire Hall, Cambridge CB3 0AP.

4 Officers emoluments and Members allowances

No employee's remuneration in the year exceeded £50,000. Members allowances are paid by the authorities appointing those Members.

5. Audit Fees

External audit fees charged to the Committee's accounts were £5,625, this amount is for the 2008/09 audit (£4,200 in 2007/08).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Capital Expenditure

Huntingdonshire District Council finances all capital expenditure except where partners have agreed to make a contribution towards the total scheme cost.

Details of capital expenditure during the year are shown below.

	2007/08 £'000	2008/09 £'000
Major Redevelopment of the Centre		
Initial fees incurred prior to scheme starting		66
Other Facilities		
Swimming Pool Roof	466	168
Changing Rooms	41	
Synthetic Pitch		145
Major Repairs/Replacement Work		318
Total	507	697

BALANCE SHEET

7 Stock

31 March 2008		31 March 2009	
£'000		£'000	
4	Bars & Catering	3	
1	Vending	1	
1	Goods for Resale	7	
6	Total	11	

8 Debtors

The following amounts all fall due in one year, there is no provision for bad debts.

31 March 2008		31 March 2009	
£'000		£'000	
32	Cambs County Council	4	
26	Huntingdonshire D C	38	
0	Schools, Colleges	0	
14	Other General Debtors	24	
72	Total	66	

9 Creditors

31 March 2008		31 March 2009	
£'000		£'000	
2	Employees	2	
53	Other General Creditors	33	
55	Total	35	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Revenue Reserves

	£'000
Repairs & Renewals Fund	
Balance 1 st April 2008	23
Movement	-5
Balance 31 st March 2009	18

NOTES TO THE CASH FLOW STATEMENT

11 General

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. These are represented by movements in the balance owed to or from Huntingdonshire District Council.

12 Changes in cash and cash equivalents

All cash transactions are processed through the bank accounts of Huntingdonshire District Council. The Committee therefore always has a net nil change to cash and cash equivalents.

Other Notes

13 Financial Instruments

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. Their fair value can be assessed by calculating the present value of the cash flows. Due to the short-term nature of assets and liabilities the fair value is equivalent to the carrying value.

The fair values of the Committee's financial instruments, together with the carrying amounts included on the balance sheet are analysed as follows:

31 March 2008			31 March 2009	
Carrying amount	Fair value		Carrying amount	Fair value
£000s	£000s		£000s	£000s
		Financial assets		
		<i>Loans and receivables</i>		
72	72	Total debtors	66	66
1	1	Cash and equivalents	1	1
73	73	Total	67	67
		Financial liabilities by class		
		<i>Other liabilities at amortised cost</i>		
55	55	Total creditors	35	35
55	55	Total	35	35

Nature and extent of risks arising from Financial Instruments

The Committee's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay sums due
- Liquidity risk – the possibility that the Committee might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates

Credit risk

Credit risk arises from credit exposures to the Committee's customers and Public Sector debtors

In relation to the sums owed by the Committee's customers and contractual debtors, the Committee has assessed the nature, historic losses and age of the debts and has made no provision to cover potential losses.

Liquidity risk

As the expenditure of the Committee is funded by Huntingdonshire District Council there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

Market risk

The Committee has minimal exposure to market risk because its investments and loans are at fixed rates of interest.

CORPORATE GOVERNANCE PANEL CERTIFICATION

I confirm that these accounts and the accounting policies were approved by Huntingdonshire District Council's Corporate Governance Panel at their meeting held on the 23rd June 2009.

Signed on behalf of the St. Neots Leisure Centre Management Committee:

Chairman of the meeting approving the accounts: _____

Small bodies in England

Annual return for the year ended

31 March 2009

Small relevant bodies in England with an annual turnover of £1 million or less must complete an annual return summarising their annual activities at the end of each financial year.

The annual return on the following pages is made up of four sections:

- Sections 1 and 2 are to be completed by the person nominated by the body.
- Section 3 will be completed by the external auditor.
- Section 4 is to be completed by the body's internal audit provider.

The body must ensure this annual return is approved no later than 30 June 2009.

Please complete all sections highlighted in red. Do **not** leave any red box blank. Incomplete or incorrect returns may require additional external audit work and incur additional costs.

Please send the annual return, together with any additional information requested, to your appointed external auditor.

If required, your auditor will identify and ask for any documents needed for audit. Unless requested, please do **not** send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the body for publication or public display of sections 1,2 and 3.

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

It should not be necessary for bodies to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites (www.nalc.gov.uk or www.slcc.co.uk) or from the members area of the Association of Drainage Authorities website (www.ada.org.uk).

Section 1 – Statement of accounts for:

SAWTRY LEISURE CENTRE AND H D C P CORPORATE GOVERNANCE PANEL

In completing the boxes below please explain any significant variances on a separate sheet and send this to the external auditor together with a copy of your bank reconciliation as at 31 March 2009.

	Year ending		Notes and guidance
	31 March 2008 £	31 March 2009 £	
1 Balances brought forward	24,821	17,917	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of previous year.
2 (+) Income from taxation and/or levy	0	0	Total amount of tax and/or levy received in the year including funding from a sponsoring body.
3 (+) Total other receipts	917,342	941,301	Total receipts or income as recorded in the cashbook less income from taxation and/or levy (line 2). Include any grants received here.
4 (-) Staff costs	-476,316	-485,336	Total expenditure or payments made to and on behalf of all body employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6 (-) Total other payments	-447,930	-455,275	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	17,917	18,607	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	0	0	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets and long term assets	0	0	The recorded book value at 31 March of all fixed assets owned by the body and any other long term assets e.g. loans to third parties and any long-term investments.
10 Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that the statement of accounts contained in this annual return presents fairly the financial position of the body and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2009.

Signed by Responsible Financial Officer:

SIGNATURE REQUIRED

Date 23/06/2009

I confirm that these accounts were approved by the body and recorded as minute reference:

12 (b) MINUTE REFERENCE

Date 23/06/2009

Signed by Chair of meeting approving this statement of accounts:

SIGNATURE REQUIRED

Date 23/06/2009

Section 2 – Annual governance statement

We acknowledge as the members of **HDC CORPORATE GOVERNANCE PANEL** our responsibility for ensuring that there is a sound system of internal control, including the preparation of the statement of accounts. We confirm, to the best of our knowledge and belief, with respect to the body's statement of accounts for the year ended 31 March 2009, that:

	Agreed – Yes or No*	'Yes' means that the body:
1 we have approved the statement of accounts which has been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	YES	prepared its statement of accounts in the way prescribed by law.
2 we have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	YES	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 we have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the body to conduct its business or on its finances.	YES	has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 we have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	YES	during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5 we have carried out an assessment of the risks facing the body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	YES	considered the financial and other risks it faces and has dealt with them properly.
6 we have maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems and carried out a review of its effectiveness.	YES	arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body and reviewed the impact of this work.
7 we have taken appropriate action on all matters raised in reports from internal and external audit.	YES	responded to matters brought to its attention by internal and external audit.
8 we have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the statement of accounts.	YES	disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the body and recorded as minute reference

MINUTE REFERENCE dated **22/09/2009**

Signed on behalf of **HDC CORPORATE GOVERNANCE BOARD PANEL**

Signed by: Chair **SIGNATURE REQUIRED** Date **22/09/2009**

Signed by: Clerk **SIGNATURE REQUIRED** Date **22/09/2009**

***Note:** Please provide explanations to the external auditor on a **separate sheet** for each 'No' response that has been given; and describe what action is being taken to address the weaknesses identified.

Section 3 – External auditor's certificate and opinion

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2009 of

ENTER NAME OF REPORTING BODY HERE

Respective responsibilities of the body and the auditor

The body is responsible for the preparation of the accounts in accordance with the requirements of the Accounts and Audit Regulations and for the preparation of an annual return which:

- summarises the body's accounting records for the year ended 31 March 2009; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor's report

(Except for the matters reported below)* on the basis of our review, in our opinion the information contained in the annual return is in accordance with the Audit Commission's requirements and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

(continue on a separate sheet if required)

External auditor's signature

External auditor's name

Date

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission's publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.

Section 4 – Annual internal audit report to

SANTRY LEISURE CENTRE – H.D.C. CORPORATE GOVERNANCE PANEL

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2009.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and, opposite, are the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

Internal control objective	Agreed? Please choose from one of the following Yes/No*/Not covered**
A Appropriate books of account have been properly kept throughout the year.	YES
B The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	YES
C The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
D The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
F Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	NOT COVERED.
G Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	YES
H Asset and investments registers were complete and accurate and properly maintained.	YES
I Periodic and year-end bank account reconciliations were properly carried out.	YES
J Year-end accounts were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with cash book, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.	YES

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit: DAVID HARWOODAME

Signature of person who carried out the internal audit: *David Harwoodame* Date: 29 06 2009

***Note:** If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Guidance notes on completing the 2009 annual return

- 1 Please make sure that your annual return is complete (i.e. no empty red boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are approved by the body, properly initialled and an explanation for them is provided to the auditor. Annual returns containing unapproved and/or unexplained amendments will be returned unaudited and may incur additional costs.
- 2 Use the checklist provided below. Use a second pair of eyes, perhaps a member or the Chair, to review your annual return for completeness before sending it off to the auditor.
- 3 Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
- 4 Make sure that the copy of the bank reconciliation which you send to your auditor with the annual return covers **all** your bank accounts. If your body holds any short-term investments, please note their value on the bank reconciliation. The auditor should be able to agree your bank reconciliation to Box 8 on the Statement of Accounts. **You must provide an explanation for any difference between Box 7 and Box 8.** More help on bank reconciliations is available in the *Practitioners' Guide**.
- 5 Please **explain fully** significant variances in the statement of accounts. Do not just send in a copy of your detailed financial statements instead of this explanation. The auditor wants to know that **you** understand the reasons for the change. Please include a complete analysis to support your explanation. There are a number of examples provided in the *Practitioners' Guide** to assist you.
- 6 If the auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 7 Please make sure that your statement of accounts adds up! Also please ensure that the balance carried forward from the previous year (Box 7 of 2008) equals the balance brought forward in the current year (Box 1 of 2009).
- 8 **Do not complete section 3.** This section is reserved for the external auditor who will complete it at the conclusion of their audit.
- 9 Use the *Practitioners' Guide** for guidance. This publication is regularly updated and contains everything you should need to prepare successfully for your financial year-end and the subsequent audit. Both NALC and SLCC have helplines open should you wish to talk through any problem you may encounter.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All red boxes have been completed?	✓
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	✓
Section 1	Approval by the body confirmed by signature of Chair of meeting approving accounts?	✓
	An explanation of significant variations from last year to this year is provided?	✓
	Bank reconciliation as at 31 March 2009 agreed to Box 8?	✓
	An explanation of any difference between Box 7 and Box 8 is provided?	✓
Section 2	For any statement to which the response is 'no', an explanation is provided?	✓
Section 4	All red boxes completed by internal audit and explanations provided?	✓

***Note:** *Governance and Accountability for Local Councils in England – A Practitioners' Guide 2008 edition*, is available from NALC and SLCC representatives or *Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guide*, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL.

Small bodies in England

Annual return for the year ended

31 March 2009

Small relevant bodies in England with an annual turnover of £1 million or less must complete an annual return summarising their annual activities at the end of each financial year.

The annual return on the following pages is made up of four sections:

- Sections 1 and 2 are to be completed by the person nominated by the body.
- Section 3 will be completed by the external auditor.
- Section 4 is to be completed by the body's internal audit provider.

The body must ensure this annual return is approved no later than 30 June 2009.

Please complete all sections highlighted in red. Do **not** leave any red box blank. Incomplete or incorrect returns may require additional external audit work and incur additional costs.

Please send the annual return, together with any additional information requested, to your appointed external auditor.

If required, your auditor will identify and ask for any documents needed for audit. Unless requested, please do **not** send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the body for publication or public display of sections 1,2 and 3.

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

It should not be necessary for bodies to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites (www.nalc.gov.uk or www.slcc.co.uk) or from the members area of the Association of Drainage Authorities website (www.ada.org.uk).

Section 1 – Statement of accounts for:

RAMSEY LEISURE CENTRE - HDC CORPORATE GOVERNANCE PANEL

In completing the boxes below please explain any significant variances on a separate sheet and send this to the external auditor together with a copy of your bank reconciliation as at 31 March 2009.

	Year ending		Notes and guidance
	31 March 2008 £	31 March 2009 £	
1 Balances brought forward	21,170	19,689	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of previous year.
2 (+) Income from taxation and/or levy	0	0	Total amount of tax and/or levy received in the year including funding from a sponsoring body.
3 (+) Total other receipts	911,002	961,340	Total receipts or income as recorded in the cashbook less income from taxation and/or levy (line 2). Include any grants received here.
4 (-) Staff costs	-482,717	-487,626	Total expenditure or payments made to and on behalf of all body employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6 (-) Total other payments	-429,766	-467,270	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	19,689	26,133	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	0	0	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets and long term assets	0	0	The recorded book value at 31 March of all fixed assets owned by the body and any other long term assets e.g. loans to third parties and any long-term investments.
10 Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that the statement of accounts contained in this annual return presents fairly the financial position of the body and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2009.

Signed by Responsible Financial Officer:

SIGNATURE REQUIRED

Date 23/06/2009

I confirm that these accounts were approved by the body and recorded as minute reference:

12 (b) MINUTE REFERENCE

Date 23/06/2009

Signed by Chair of meeting approving this statement of accounts:

SIGNATURE REQUIRED

Date 23/06/2009

Section 2 – Annual governance statement

We acknowledge as the members of **HDC CORPORATE GOVERNANCE PANEL** our responsibility for ensuring that there is a sound system of internal control, including the preparation of the statement of accounts. We confirm, to the best of our knowledge and belief, with respect to the body's statement of accounts for the year ended 31 March 2009, that:

	Agreed – Yes or No*	'Yes' means that the body:
1 we have approved the statement of accounts which has been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	YES	prepared its statement of accounts in the way prescribed by law.
2 we have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	YES	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 we have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the body to conduct its business or on its finances.	YES	has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 we have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	YES	during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5 we have carried out an assessment of the risks facing the body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	YES	considered the financial and other risks it faces and has dealt with them properly.
6 we have maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems and carried out a review of its effectiveness.	YES	arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body and reviewed the impact of this work.
7 we have taken appropriate action on all matters raised in reports from internal and external audit.	YES	responded to matters brought to its attention by internal and external audit.
8 we have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the statement of accounts.	YES	disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the body and recorded as minute reference

MINUTE REFERENCE dated **22/09/2009**.

Signed on behalf of **HDC CORPORATE GOVERNANCE PANEL**.

Signed by: Chair **SIGNATURE REQUIRED** Date **22/09/2009**

Signed by: Clerk **SIGNATURE REQUIRED** Date **22/09/2009**

***Note:** Please provide explanations to the external auditor on a **separate sheet** for each 'No' response that has been given; and describe what action is being taken to address the weaknesses identified.

Section 3 – External auditor’s certificate and opinion

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2009 of

ENTER NAME OF REPORTING BODY HERE

Respective responsibilities of the body and the auditor

The body is responsible for the preparation of the accounts in accordance with the requirements of the Accounts and Audit Regulations and for the preparation of an annual return which:

- summarises the body’s accounting records for the year ended 31 March 2009; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor’s report

(Except for the matters reported below)* on the basis of our review, in our opinion the information contained in the annual return is in accordance with the Audit Commission’s requirements and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

(continue on a separate sheet if required)

External auditor’s signature

External auditor’s name Date

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission’s publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.

Section 4 – Annual internal audit report to

RAMSEY LEISURE CENTRE - E H D C M CORPORATE GOVERNANCE H P U D E L

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2009.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and, opposite, are the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

Internal control objective	Agreed? Please choose from one of the following Yes/No*/Not covered**
A Appropriate books of account have been properly kept throughout the year.	YES
B The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	YES
C The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
D The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
F Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	NOT COVERED
G Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	YES
H Asset and investments registers were complete and accurate and properly maintained.	YES
I Periodic and year-end bank account reconciliations were properly carried out.	YES
J Year-end accounts were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with cash book, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.	YES

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit:

DAVID HARWOOD, ME

Signature of person who carried out the internal audit:

SIGNATURE REQUIRED

Date:

29 06 2009

***Note:** If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

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Completion checklist – 'No' answers mean you may not have met requirements		Done?
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	Bank reconciliation as at 31 March 2009 agreed to Box 8?	✓
	An explanation of any difference between Box 7 and Box 8 is provided?	✓
Section 2	For any statement to which the response is 'no', an explanation is provided?	✓
Section 4	All red boxes completed by internal audit and explanations provided?	✓

***Note:** *Governance and Accountability for Local Councils in England – A Practitioners' Guide 2008 edition*, is available from NALC and SLCC representatives or *Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guide*, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL.