

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **AQUARIUS ROOM, ST IVO LEISURE CENTRE, WESTWOOD ROAD, ST IVES, CAMBRIDGESHIRE, PE27 6WU** on **WEDNESDAY, 9 DECEMBER 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 22<sup>nd</sup> September 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. CALCULATION OF COUNCIL TAX BASE 2010/11 (Pages 5 - 8)**

To consider a report by the Head of Customer Services recommending the Council Tax Base for 2010/11.

**Mrs J Barber  
388105  
I Sims  
388138**

### **4. ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY (Pages 9 - 10)**

To receive a report by the Audit and Risk Manager on the annual review of the Risk Management Strategy.

**D Harwood  
388115**

### **5. REVIEW OF THE ANTI-FRAUD AND CORRUPTION STRATEGY (Pages 11 - 16)**

To note the outcome of the annual review of the Anti-Fraud and Corruption Strategy.

**D Harwood  
388115**

### **6. EXTERNAL AUDITOR'S REPORTS: USE OF RESOURCES 2009 AND THE ANNUAL AUDIT LETTER FOR 2008/09 (Pages 17 - 72)**

To consider the Huntingdonshire District Council Use of Resources Report for 2009 and the Annual Audit Letter for 2008/09.

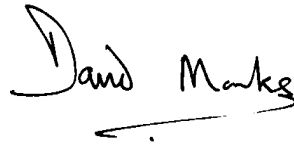
**H Thackray  
388035  
Mrs E Smith  
388157**

### **7. CODE OF PROCUREMENT (Pages 73 - 76)**

To receive a report from the Directors of Central Services and Commerce & Technology on the actions taken to promote compliance with the Council's Code of Procurement.

**I Leatherbarrow  
388047  
T Parker  
388100**

Dated this 30 day of November 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](mailto: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](http://www.huntingdonshire.gov.uk) (under Councils and Democracy).

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

***Emergency Procedure***

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

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# Agenda Item 1

## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Kestrel Room, Countryside Centre, Hinchingsbrooke Country Park, Brampton Road, Huntingdon, PE29 6DB on Tuesday, 22 September 2009.

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

APOLOGY: An Apology for absence from the meeting was submitted on behalf of Councillor P J Downes.

### **16. MINUTES**

The Minutes of the meeting of the Panel held on 23<sup>rd</sup> June 2009 were approved as a correct record and signed by the Chairman.

### **17. MEMBERS' INTERESTS**

Councillor P L E Bucknell declared a personal interest in Minute No. 18 by virtue of his association with the Council's proposed new Auditors, Pricewaterhouse Coopers.

### **18. AUDIT COMMISSION PROPOSAL FOR CHANGE OF EXTERNAL AUDITORS**

*(See Minute No. 17 – Members' Interests)*

The Director of Commerce and Technology drew the Panel's attention to a proposal made by the Audit Commission to change the Council's External Auditors from Grant Thornton UK to Pricewaterhouse Coopers. Members were advised that the proposal would result in all Cambridgeshire based authorities being audited by the same firm, which would assist with the move towards the Comprehensive Area Assessment process.

### **19. REVIEW OF HOUSING BENEFIT FRAUD INVESTIGATION ACTIVITY & THE COUNCIL'S WHISTLEBLOWING POLICY**

Consideration was given to a joint report by the Head of Customer Services and Audit & Risk Manager (a copy of which is appended in the Minute Book) summarising the activity of the Benefits Fraud Investigation Team over the previous three years and detailing the outcome of the annual review of the Whistleblowing Policy and Guidance.

In noting the activity undertaken by the Housing Benefit Fraud Investigation Team over the 2006 to 2009 period, the Panel were encouraged to note that a 69% success rate for all cases investigated over the 2008/09 financial year had been achieved, which reflected

an improvement of 2% when compared to the previous year.

With regard to the review of the Whistleblowing Policy and Guidance, the Panel were encouraged to note that 7 incidents had been received through the various Whistleblowing channels.

RESOLVED

- (a) that the work undertaken in respect of benefit fraud be noted;
- (b) that the Benefit Fraud Investigation Team be commended on their work and approach to countering fraud which has been nationally recognised by their professional association; and
- (c) that the annual review of the Whistleblowing policy and procedure has been undertaken and that no changes be required to the current policy or guidance.

**20. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL**

With the assistance of a report prepared by the Head of Financial Services (a copy of which is appended in the Minute Book) the Panel were acquainted with the action taken to enhance the Panel's own effectiveness, which had been compiled against CIPFA's best practice guidance for Audit Committees. Members were encouraged to note the action taken to address the areas which had been identified in the 2008 Action Plan. Whereupon, it was

RESOLVED

that progress against the Action Plan appended to the report now submitted be noted.

**21. RISK REGISTER**

With the aid of a report by the Audit & Risk Manager (a copy of which is appended in the Minute Book) the Panel was acquainted with the changes made to the Risk Register between the period March to August 2009 inclusive.

RESOLVED

that the contents of the report be noted.

**22. INTERNAL AUDIT SERVICE: ANNUAL AUDIT REPORT**

The Panel received a report by the Audit & Risk Manager (a copy of which is appended in the Minute Book) which contained his opinion on aspects of the Council's systems of internal control and which summarised the progress made against the 2008/09 Annual Audit Plan and the performance standards achieved.

Members noted the Audit & Risk Manager's conclusions in relation to the level of assurance provided by those areas of the Council's

internal control environment which had been the subject of evaluation by the Internal Audit Service. The Panel were encouraged to note the improvement that continued to be made in respect of the implementation of agreed audit actions. Having drawn the Panel's attention to breaches of the Code of Procurement, Members were advised that a report summarising the steps taken to address this matter would be submitted to the Panel's December meeting.

RESOLVED

- (a) that the report and statement be noted; and
- (b) that the Director of Central Services and/or the Director of Commerce and Technology be requested to submit a report to the December meeting of the Panel on the steps taken to ensure compliance with the Code of Procurement.

**23. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

The Panel received and noted a report by the Audit & Risk Manager (a copy of which is appended in the Minute Book) on the outcome of a review of the effectiveness of the system of internal audit. Whereupon, it was

RESOLVED

that the outcome of the review of the effectiveness of the system of internal audit be noted and included in the annual review in preparation of the Annual Governance Statement.

**24. GOVERNANCE STATEMENT**

Consideration was given to a report by the Head of Law, Property and Governance (a copy of which is appended in the Minute Book) on the outcome of the annual review of the Council's governance arrangements. In addition, it was reported that the Chairman and Vice-Chairman, together with Executive Councillors whose portfolios include finance and corporate governance had taken part in and were satisfied with the annual review of governance arrangements which was the basis of preparing the Annual Governance Statement.

The Panel discussed the Governance Statement, which had been prepared on behalf of the Chief Executive and the Leader of the Council, summarised the corporate governance work carried out in 2008/09 and identified matters to be addressed during 2009/10.

RESOLVED

that the Governance Statement prepared by the Chief Executive and Leader of the Council on behalf of the Council for 2009/10 be endorsed and countersigned by the Chairman of the Panel.

**25. APPROVAL FOR PUBLICATION OF THE 2008/09 ACCOUNTS**

*(Mrs L Sandford and P Winrow of Grant Thornton UK LLP, the Council's External Auditors, were in attendance for consideration of this item).*

The Panel considered the draft accounts for the year 2008/09 (a copy of which is appended in the Minute Book). Having considered the Council's letters of representation and noted the Auditor's reports, Members were informed by Mrs L Sandford that an unqualified opinion would be provided on the accounts.

Whereupon, it was

RESOLVED

- (a) that the letters of representation be approved and the Director of Commerce and Technology be authorised to sign it on behalf of the Council;
- (b) that the Auditor's reports and the appended Action Plans for dealing with the matters highlighted be noted; and
- (c) that the revised set of accounts now submitted be approved for publication.

Chairman



## **CALCULATION OF COUNCIL TAX BASE 2010/11 (Report by the Head of Customer Services)**

### **1 INTRODUCTION**

- 1.1** The Local Government Finance Act 1992 requires a Billing Authority (Huntingdonshire District Council) to calculate and approve a tax base for Council Tax purposes by 31 January in respect of the following financial year. The Local Authorities (Calculation of Tax Base) Regulations 1992 (as amended) contain the rules for making the necessary calculations.
- 1.2** The tax base calculation is designed to convert all existing properties and those due for completion before the end of the period into a Band D Equivalent. This is achieved by applying a prescribed weighting to the properties in each of the respective valuation bands.
- 1.3** The resulting figure, after taking into account relevant allowances, is called the Net Tax Base. Once agreed, this figure is divided into the Council's Net Expenditure due to be raised from Council Tax and the actual Council Tax Charge for a Band D property is then derived.

### **2 GENERAL PRINCIPLES OF THE CALCULATION**

- 2.1** A tax base calculation for the whole of the District Council's area has been undertaken, using information held as at 19<sup>th</sup> November 2009, and then taking into account the parish boundary changes coming into effect on 1 April 2010 by The Huntingdonshire (Parishes) Order 2009. Added to this information are details of new properties likely to be completed and banded for Council Tax purposes during the period November 2009 to March 2011. Estimates have been made regarding the possible level of occupation of these new properties and the likely discounts that they may attract, and in particular it assumes that the discount awarded to both "second homes" and "long term empty properties" will be at the minimum level (i.e. 10% and 0% respectively). No allowance has been made for banding appeals/reductions as these simply can not be forecast nor for any significant change in policy with regards to discretionary discounts or exemptions under S13a of the Local Government Finance Act 1992 (as amended). The resulting calculation shows a Band D equivalent tax base of 59,023 properties.
- 2.2** When undertaking a tax base calculation, the resulting figure has to be reduced by a percentage which, in the District Council's opinion, represents the likely losses on collection during the financial year. A provision of 0.75% is required. When applying this 0.75% reduction to this calculation, a net tax base figure of 58,580 is achieved.
- 2.3** This compares with the current tax base of 57,960 and the growth is therefore 1.07%.

- 2.4 The legislation requires that the actual Tax Base Calculation is undertaken as at the 30 November. A revised calculation will have to be undertaken on that date and, if necessary, an amended report will be tabled at the Meeting.

### 3 RECOMMENDATIONS

- 3.1 It is recommended that the Corporate Governance Panel resolves as follows:-

- (a) that the report by the Head of Customer Services regarding the calculation of the District Council's tax base for the year 2010/2011 be approved; and
- (b) that pursuant to the Head of Customer Services' report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 (as amended), the amounts calculated by the Huntingdonshire District Council as their net tax base for the whole District for the year 2010/2011 be 58,580 and shall be as listed below for each Parish of the District.

Abbotsley	240
Abbots Ripton	128
Alconbury	553
Alconbury Weston	280
Alwalton	124
Barham & Woolley	27
Bluntisham	739
Brampton	1795
Broughton & Molesworth	106
Broughton	85
Buckden	1150
Buckworth	50
Bury	605
Bythorn & Keyston	142
Catworth	144
Chesterton	58
Colne	344
Conington	73
Covington	42
Denton & Caldecote	25
Diddington	30
Earith	575
Easton	75
Ellington	235
Elton	295
Farcet	580
Fenstanton	1160
Folksworth & Washingley	347
Glatton	130
Godmanchester	2371
Grafham	240
Great & Little Gidding	122
Great Gransden	455
Great Paxton	370
Great Staughton	320

Haddon	25
Hail Weston	240
Hamerton & Steeple Gidding	52
Hemingford Abbots	327
Hemingford Grey	1150
Hilton	445
Holme	238
Holywell-cum-Needingworth	975
Houghton & Wyton	785
Huntingdon	7255
Kimbolton & Stonely	595
Kings Ripton	80
Leighton Bromswold	82
Little Paxton	1250
Morborne	11
Offord Cluny & Offord D'Arcy	508
Old Hurst	98
Old Weston	87
Perry	265
Pidley-cum-Fenton	153
Ramsey	2890
St Ives	5725
St Neots	10195
Sawtry	1730
Sibson-cum-Stibbington	210
Somersham	1385
Southoe & Midloe	158
Spaldwick	229
Stilton	785
Stow Longa	65
The Stukeleys	415
Tilbrook	108
Toseland	37
Upton & Coppingford	85
Upwood & The Raveleys	420
Warboys	1365
Waresley-cum-Tetworth	146
Water Newton	42
Winwick	40
Wistow	215
Woodhurst	150
Woodwalton	85
Wyton-on-the-Hill	414
Yaxley	2910
Yelling	140
	<u>58580</u>

**Contact Officer: Julia Barber - Head of Customer Services**  
**☎ 01480-388105**

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**CORPORATE GOVERNANCE PANEL**

**9 DECEMBER 2009**

## **ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY**

**(Report by the Audit & Risk Manager)**

### **1. PURPOSE**

- 1.1 To update the Panel of the outcome of the annual review of the Risk Management Strategy.

### **2. RISK MANAGEMENT STRATEGY**

- 2.1 Amendments to the risk management strategy were last approved by the Panel at its December 2008 meeting. These changes reflected the Council's increasing risk appetite.
- 2.2 The strategy has been reviewed and it is considered that no changes are required to the main body of the strategy. It is proposed that changes to the definitions within the environment and environmental risk categories are required to reflect the Council's Environment Strategy as outlined in 'Growing Awareness – A plan for our environment'. The changes are outlined in Annex A and have been agreed with the Head of Environmental Management.

### **3. RECOMMENDATION**

- 3.1 It is recommended that the Panel agree to the changes to the risk management strategy.

## **BACKGROUND INFORMATION**

Risk Management Strategy

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

Categories of Risk

Risks faced by the Council can be broadly grouped into two risk categories – corporate or operational.

Corporate risks are likely to affect the medium to longer term priorities of the Council and require longer term planning to be addressed. Operational risks tend to have a more immediate impact and require to be treated in a shorter time frame.

<b>Corporate : Environment - Current</b>		<b>Proposed</b>
Relating to the environmental consequences of progressing the Council's strategic objectives (e.g. in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions, etc).		Relating to the environmental consequences of progressing the Council's strategic objectives (e.g. tackling climate change, using resources efficiently and protecting and improving the environment).
<ul style="list-style-type: none"> <li>Impact of Local Agenda 21 policies</li> <li>Noise, contamination &amp; pollution</li> </ul>	<ul style="list-style-type: none"> <li>Impact of planning and transportation policies</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO2 emissions</li> <li>Adapt to climate change</li> <li>Reduce waste and use resources wisely</li> <li>Impact of planning and transportation policies</li> <li>Protect biodiversity and green space</li> </ul>

<b>Operational : Environmental - Current</b>		<b>Proposed</b>
Relating to pollution, noise or energy efficiency of ongoing service operation.		Relating to pollution, noise or energy efficiency of ongoing service operation.
<ul style="list-style-type: none"> <li>Impact of Local Agenda 21 policies</li> <li>Crime and Disorder Act implications</li> <li>Incorrect storage/disposal of waste</li> </ul>	<ul style="list-style-type: none"> <li>Inefficient use of energy and water</li> <li>Damage caused by trees, tree roots, etc</li> <li>Noise, contamination and pollution</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO2 emissions through promotion of energy efficiency</li> <li>Reduce travel and emissions</li> <li>Encourage more sustainable purchasing</li> <li>Promote water efficiency</li> <li>Promote recycling</li> <li>Protect and improve biodiversity and greenspace projects</li> </ul>

**REVIEW OF THE ANTI FRAUD & CORRUPTION STRATEGY  
(Report by the Audit & Risk Manager)**

**1. INTRODUCTION**

- 1.1 This report details the outcome of the annual review of the Anti-Fraud and Corruption Strategy.

**2. THE STRATEGY**

- 2.1 The Strategy provides details of the Council's approach to the identification and mitigation of the risk of fraud and corruption. Having reviewed the Strategy it is proposed that it be amended in light of experiences of the past year.
- 2.2 The proposed amendments, which are highlighted in the attached Annex, are intended to:
- Increase the number of bodies to which significant matters of fraud and corruption can be reported; and
  - Clarify the decision making process in respect of a significant matter.
- 2.3 The changes have the support of both the S151 Officer and the Monitoring Officer.

**3. SUPPORTING FRAMEWORK**

- 3.1 In December 2008 the Panel approved an Anti-Fraud and Corruption Framework, This document is used by the Panel as a check-list to help confirm that the Strategy is being effectively implemented.
- 3.2 In September 2009 the Audit Commission published a reported entitled 'Protecting the Public Purse – Local Government Fighting Fraud'. The report considers the key fraud risks and pressures facing Councils and identified much good practice including a fraud checklist. It is the intention to review and amend the Framework to take account of the issues included in the fraud checklist.
- 3.3 A report on progress against the Framework will be made to the June 2010 Panel meeting.

**4. RECOMMENDATION**

- 4.1 It is recommended that the Panel adopt the changes proposed to the Anti-Fraud and Corruption Strategy.

**BACKGROUND INFORMATION**

None

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

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# HUNTINGDONSHIRE DISTRICT COUNCIL

## Anti Fraud and Corruption Strategy

### 1. Introduction

- 1.1 Huntingdonshire District Council is determined that a culture of honesty, openness and accountability will always be promoted, and as such is wholly opposed to all forms of fraud, corruption or theft. The Council is committed to making sure that the risk of fraud, corruption and theft is reduced to a level that is proportionate to the resources required to achieve that reduction. The Council also recognises that all dishonest acts undermine the high standards of public service that it is aiming to achieve.
- 1.2 This Anti-Fraud and Corruption Strategy provides details of our approach to tackling fraud, corruption and theft. It gathers together, under the heading of one overall document, all of the Authority's policies and guidance that deal with this area.

### 2. Anti-Fraud and Corruption Statement

- 2.1 The Council is committed to the highest possible standards of honesty, openness and accountability. The Council will not tolerate any fraud, corruption or theft by Members, employees, consultants, contractors or service users. It will ensure that internal procedures are in place to deter and prevent the risk of fraud, corruption or theft and maintain clear and well publicised arrangements for receiving and investigating complaints.
- 2.2 The Council will pursue appropriate action in all instances where fraud, corruption and theft are found.

### 3 Definitions

- 3.1 The Council defines fraud and corruption in the following way.

Fraud is defined as conduct where a person makes a false representation, deliberately fails to disclose information or abuses a position of trust, with the intention to make gain or cause a loss or the risk of a loss to another

Corruption covers the offering, giving, soliciting or acceptance of an inducement or rewards, which may influence the action of any person.

### 4 The Principles of Conduct

- 4.1 Each individual Member and employee is responsible for playing a part in ensuring that public confidence in the services provided by the Council is maintained. They will lead by example in ensuring compliance with all legal requirements, rules, procedures and practices, and conduct themselves in accordance with both the spirit and letter of their respective Codes of Conduct.

# HUNTINGDONSHIRE DISTRICT COUNCIL

## Anti Fraud and Corruption Strategy

### 5 Reducing the risk of fraud, corruption and theft

5.1 The Council has a number of procedures and rules to make sure that the risks associated with financial, administrative and organisational procedures are properly managed and controlled. The most important of these procedures and rules are the:

- Code of Financial Management
- Code of Procurement
- Code of Conduct for Members
- Code of Conduct for Employees
- Members' Planning Code of Good Practice
- Members' Licensing Code of Good Practice
- Staff Recruitment & Selection Process
- Risk Management Strategy

5.2 The Code of Financial Management makes it clear that Directors and Heads of Service are responsible for the prevention of fraud and corruption within the services and functions under their control. They are required to establish, maintain and document the systems of internal control and ensure that relevant employees or Members are familiar with such systems.

### 6. Disclosure, investigation and prosecution policies

6.1 The Anti-Fraud and Corruption Strategy shall be supported by specific policies or procedures that deal with the issues of disclosure, investigation and prosecution. These policies and procedures are:

- The Whistle-blowing Policy
- The Whistle-blowing Guidance
- Money Laundering Avoidance Policy
- The Housing & Council Tax Benefit Anti-Fraud Strategy
- The Housing & Council Tax Benefit Prosecution Policy
- The Disciplinary Procedures

In addition to the above, detailed guidance notes have been written to assist staff who are required to undertake specific investigations.

6.2 The policies and procedures aim to ensure that the Council's commitment to the prevention of fraud, corruption and theft:

- is clearly defined
- actively encourages and promotes the prevention and detection of fraud, corruption and theft
- identifies clear reporting lines for those having knowledge or suspicion of irregularity
- establishes uniform procedures for handling allegations, ensuring consistent treatment
- ensures fair treatment for those against whom allegations are made
- encourages individuals and organisations that come into contact with the Council in the course of their business, joint working or partnerships, to recognise and where necessary, demonstrate appropriate mechanisms for the prevention and detection of fraud and corruption.

# HUNTINGDONSHIRE DISTRICT COUNCIL

## Anti Fraud and Corruption Strategy

- 6.3 Irrespective of who is involved, all matters of significant fraud and corruption identified against the Council, where its investigation is not covered by another policy or procedure, will be referred to the Police or any other regulatory body authorised to investigate such matters. The decision as to whether a matter is significant shall be determined by the relevant Director.
- 6.4 Irrespective of the decision reached as to any criminal prosecution, the Council shall, in the case of an employee or employees, apply the disciplinary procedure and where the allegation of an offence is proven, take appropriate disciplinary action against the employee(s) involved.
- 6.5 The Council will aim to recover from the perpetrators any losses that it sustains as a result of fraud and corruption.
- 7. Corrective Action**
- 7.1 The Director of Commerce & Technology will be responsible for ensuring that lessons learnt from the investigation are evaluated and result in the strengthening of the systems involved. He/she shall also consider whether it would be of benefit to the Council to publicise the outcome of the investigation as a deterrent to other potential perpetrators.
- 8. Publicising the Strategy**
- 8.1 The Council will publicise the Anti-Fraud and Corruption Strategy and supporting policies to all Members and employees. Copies of documents referred to in this strategy shall be made available on the intranet.
- 8.2 Action will be taken to make the public and members of outside bodies aware of the Council's Anti-Fraud and Corruption Strategy.
- 9. Monitoring**
- 9.1 A Framework document will be prepared and completed to demonstrate how effectively this Strategy is being delivered.
- 10. Conclusion**
- 10.1 The Council is committed to tackling fraud, corruption and theft whenever it happens and any allegations received will be responded to in an effective and organised manner, following the principles and procedures within this document.
- 10.2 To ensure they remain effective the S151 Officer and the Monitoring Officer will annually review this Strategy, propose any changes to the Corporate Governance Panel and update the supporting Framework.

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**EXTERNAL AUDITOR'S REPORTS:  
USE OF RESOURCES 2009 AND ANNUAL AUDIT LETTER 2008/09  
(Report by the Head of People, Performance and Partnerships)**

**1. INTRODUCTION**

- 1.1 The Comprehensive Area Assessment for Cambridgeshire is informed by Organisational assessments for the public bodies in the County. The Organisational assessment is made up of two individual assessments, Use of Resources (U of R) and Managing Performance. Both assessments are scored, individually (on a scale of 1 to 4 where 1 is inadequate performance and 4 is exceptional) and then brought together for an overall Organisation score. The Organisational assessment score for Huntingdonshire District Council is level 3, performing well.
- 1.2 Grant Thornton, the Council's appointed external auditors have undertaken the Council's U of R assessment. This involved an assessment of three themes; Managing Finances, Governing the business and Managing resources.
- 1.3 Grant Thornton produces an Annual Audit Letter which summarises the key issues from their 2008/09 audit work on the final accounts, U of R assessment and grant claims

**2. CONTENT**

- 2.1 The Use of Resources assessment has identified key action to be addressed and key areas of strength, please refer to sections 1 to 6 in the attached report.
- 2.2 Overall each theme has been assessed at a level 2; performs adequately – "arrangements consistent with established professional practice and guidance meet statutory requirements and operate effectively".
- 2.3 The U of R assessments has been undertaken since 2005, however, the focus of the assessment has changed to align with the new CAA framework. Previously the focus of the U of R assessment was on the systems and processes used to deliver our services, now the focus is on the outcomes these systems and processes are delivering for local people. Consequently, a new assessment evaluation criteria has been introduced and therefore direct comparison with previous years assessments is not comparable.
- 2.4 Recommendations from the review are set out in Annex A of the report in the form of an action plan including the Councils (Management) response, agreed between the relevant Heads of Service and Directors. Further annex include Annex B - introduces the CAA and new Use of Resources framework, Annex C the scoring and criteria and Annex D the KLOE specified for 2009/2010.
- 2.5 Grant Thornton will present the Use of Resources report to the Corporate Governance Panel on the 9<sup>th</sup> December.

**3. ANNUAL AUDIT LETTER**

- 3.1 The Annual Audit Letter brings together the key issues from the audit work undertaken for 2008/09. It covers the audit of the final accounts, the Auditor's assessment of the Council's arrangements for securing economy, efficiency and effectiveness in the U of R, and the certification of grant claims

- 3.2 Grant Thornton will present the Annual Audit Letter to the Corporate Governance Panel on the 9<sup>th</sup> December.

#### **4. RECOMMENDATIONS**

- 4.1 The Panel are asked to:
- a) endorse the Use of Resources report and recommendations in Annex A
  - b) note the Annual Audit Letter

#### **BACKGROUND INFORMATION**

Use of Resources 2009  
Annual Audit Letter 2008/2009

#### **Contact Officer:**

Howard Thackray, Policy and Research Manager ☎ **01480 388035**

Eleanor Smith, Accountancy Manager ☎ **01480 388157**

## Use of Resources 2009

Huntingdonshire District Council

October 2009

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#### **Appendices**

- A Action plan**
- B CAA and the new Use of Resources Framework**
- C Scoring criteria and rules**
- D KLOEs specified for assessment in 2008/9 and 2009/10**



# 1 Key Messages

## 1.1 Context

Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether Huntingdonshire District Council ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). This report presents the results of our value for money and use of resources work in 2008/9. We have separately issued our annual report to those charged with governance (ISA260). The key messages from both of these reports will be summarised in the annual audit letter.

We described in our Audit Plan (May 2008) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion. This report sets out our findings from these pieces of work:

- our assessment of the Council's Use of Resources (UoR), using the three themes within the Audit Commission's new assessment framework themes and Key Lines of Enquiry ('KLoE'),
- risk-based spot check work to assess the quality of data underlying a small sample of key performance indicators

In 2009, the Audit Commission introduced a new framework and methodology for Use of Resources (UoR) assessments across local government, police forces, fire authorities and primary care trusts. The new framework emphasises *outcomes* over *processes*, and brings new areas into the assessment such as environmental and workforce management. The new assessment presents a more robust challenge than the old framework, based on different scoring criteria. **It should be noted, therefore, that changes from prior year scores do not necessarily reflect an objective change in performance.** Further detail about the new framework and the link to Comprehensive Area Assessment (CAA) are set out in appendix B.

## 1.2 Key messages

The Council's UoR scores in the three themes are summarised in the table below. A score of 1 indicates inadequate performance, and a score of 4 indicates excellent performance. For a full explanation of scoring criteria, please see appendix C.

**Table 1: UoR scores**

Theme	2008/9 score
1 Managing finances	2
2 Governing the business	2
3 Managing resources	2

We have assessed the Council as performing adequately in all areas: arrangements are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.

Our review identified that key areas of strength for the Council are elements of its governance and internal control arrangements. In particular, its risk management strategy and the effectiveness of its housing benefits anti-fraud team. The Council's Risk Management Strategy has been highlighted on the National School of Government website and is the only local authority strategy to be included.

To support our conclusions in the good governance theme, we undertook spot-checks of two performance indicators and considered the results of our mandatory work on housing benefits data quality. A significant issue relating to the definition and methodology used to calculate one of the two local performance indicators tested was identified which resulted in us determining that the PI could not be concluded to be fairly stated. Full details are included in section 5 of this report.

Key actions for the Council arising from our assessment include:

- showing that weaknesses in the application of procurement procedures have been addressed and that there are effective contract management arrangements in place.
- demonstrating how service reviews have improved the delivery of services and achieved cost savings.

Further details of work to support our 2009 Use of Resources assessment are given in section two.

### **1.3 Next steps**

We will continue to work with the Council during the year to help prepare for the 2009/10 Use of Resources assessment. Further details of next year's assessment are set out in appendix D.

The recommendations arising from our review are set out in appendix A. We would like to take the opportunity to remind the Corporate Governance Panel of the need to monitor implementation of the action plan.

### **1.4 Use of this report**

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person.

This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.

## **1.5 Acknowledgements**

We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management and officers during the course of our audit.

## 2 Detailed findings

### 2.1 Introduction

In carrying out our audit work we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources. The UoR assessment forms the backbone of this process.

The UoR Key Lines of Enquiry (KLoEs) are prescribed by the Audit Commission and applied at all Councils, Police Forces, Fire Authorities and NHS PCTs. However, as our audits are tailored to local risks, we specifically identify and consider certain areas of greater audit risk for each organisation, as part of the UoR assessment. For the Council, we identified the following area for consideration in our Audit Plan.

**Table 2: Consideration of local risks in our work**

Local VFM risk identified in our Audit Plan	Where considered
Inadequate workforce planning and capacity can impact on delivery of ambitions and priorities.	The Council's workforce planning arrangements were reviewed as part of the assessment of KLOE 3.3.

### 2.2 Approach to the audit

The assessment was carried out between April and August 2009. We reviewed the Council's arrangements against the KLOE framework prescribed by the Audit Commission. Our work was based on review of the Council's self assessment and supporting evidence and meetings with senior management.

### 2.3 2008/09 UoR assessment

The 2008/09 KLOE and theme scores are shown in the table below.

**Table 3: UoR theme and KLoE scores**

Theme / KLOE		Score
Theme 1 - Managing finances		2
1.1	Financial planning	3
1.2	Understanding costs	2
1.3	Financial reporting	2
Theme 2 - Governing the business		2
2.1	Commissioning and procurement	2
2.2	Use of data	2
2.3	Good governance	3
2.4	Internal control	3
Theme 3 - Other resources		2
3.3	Workforce management	2

Please note:

- Some KLOEs have an overriding impact on theme scores - see Appendix C for more details of scoring criteria and arrangements.
- Different KLOEs are specified for assessment each year and across types of organisation. See appendix D for details.

### 2.4 2008/9 VfM conclusion

Under the Code auditors have a responsibility to reach a Value for Money (VfM) conclusion. Section 3 of the Code sets out the scope of these arrangements and the way in which auditors will undertake their work.

Auditors inform and limit their VfM conclusion by reference to relevant criteria. These criteria cover particular areas of audited bodies' arrangements, specified by the Commission under the Code. From 2008/09, the KLOE for the scored use of resources assessment also form the criteria for the VfM conclusion. The Commission will specify each year which of the use of resources KLOE will form the relevant criteria for the VfM conclusion at each type of audited body.

Auditors address a 'yes' or 'no' question for each criterion – that is the audited body either has proper arrangements or it does not. A 'no' judgement will be equivalent to level 1 performance for the use of resources assessment, and a 'yes' judgement will be equivalent to level 2 performance or above. Criteria with a 'no' judgement will automatically apply in the following year regardless of whether or not they are specified.

For bodies subject to a scored use of resources assessment for CAA, the KLOE forming the relevant criteria for the 2008/09 and 2009/10 VfM conclusion are those specified at Appendix D.

On the basis of the KLOE scores assessed in 2008/9 for Huntingdonshire District Council we have provided an unqualified Value for Money conclusion.

The key findings in each of the KLOEs, and areas for improvement, are set out in sections 4 to 6 of this report.

### 3 Approach to the Use of Resources Assessment

#### 3.1 Identifying outputs, outcomes and achievements

In order to achieve level 3 or above in the new UoR assessment framework, organisations were required to show that processes are *effective* and having the *intended impact*. This is an important shift in emphasis from the previous framework, within which organisations could achieve top scores by demonstrating excellent processes. The table below gives generalised examples of the types of outcome that have led to higher scores.

**Table 4: Illustrative examples of outcomes, outputs and achievements by KLOE**

**NOTE** - these examples are for illustration only and do not comprehensively cover each KLOE. Refer to section 2 for KLOE headings.

	Outcome	Output	Achievement
1.1	Investment in priorities leads to improved performance	Savings targets met, performance reward grant achieved	Positive external assessment
1.2	Improved relationship between costs and performance	Service reviews completed identifying opportunities	Development of effective corporate efficiency programme
1.3	Healthy financial position	Improved financial skills	Early close of accounts, clean audit
2.1	Improved service performance at lower cost	Completed commissioning / procurement exercises	Innovative approach to joint commissioning External recognition for procurement
2.2	Better-informed decisions and robust data to stakeholders	Improved internal performance reporting	Finding and fixing problems with own or partner data
2.3	Flexibility and responsiveness whilst maintaining focus	All members trained in ethical behaviour	Achieving a more balanced political process
2.4	Risks identified and mitigated, frauds recovered	Development and review of risk registers	Development of effective partnership risk framework
3.1	Reducing emissions and water consumption	Training of environmental champions	Enrolment in carbon reduction programme
3.2	Improving condition of assets	Income from disposal of unwanted assets	Better office accommodation

	Outcome	Output	Achievement
3.3	Meeting skills gaps, improving staff satisfaction	Reducing turnover and sickness absence	Investors in people accreditation

There are some common sense principles that should be taken into account when seeking to identify outcomes:

- organisations should not have to identify new outcomes for the purposes of UoR assessment. These should be identified and captured through existing management activity; organisations should understand how their processes help them to achieve their priorities;
- outcomes and outputs should be measurable where possible, but if this is not the case then a qualitative description of the improvement is still useful; and
- there may not be a 1-2-1 relationship between processes and outcomes. There may be a small number of outcomes that arise as the net effect of a number of processes across a KLOE area.

### 3.2 Engagement in the assessment process

The Council engaged effectively with the assessment process in 2008/9. Our early discussions with senior officers and the Corporate Governance Panel helped the Council to prepare a focussed pack of evidence. Subsequent requests for additional information were dealt with promptly and the meetings held throughout the process were useful in ensuring focus on key areas to support the assessment.

### 3.3 Our approach to ensuring consistency

In line with the Audit Commission's move to Comprehensive Area Assessment, the new use of resources framework has been designed to provide more flexibility to recognise local issues, priorities and achievements. This has given auditors more freedom to establish the individual story of each organisation, rather than applying a rigid best practice template. To support this, both the Audit Commission and Grant Thornton UK LLP have put in place new arrangements for ensuring that judgements and scores are reached in a fair and consistent way.

The Audit Commission has:

- provided extensive guidance and training;
- introduced an area-based challenge process bringing together auditors within each region to discuss and challenge indicative scores;



- increased the visibility of comparative scores and commentary for auditors; and
- undertaken a detailed final quality assurance process including statistical analysis across suppliers, regions and types of organisation.

Grant Thornton has:

- provided internal training and guidance;
- developed a network of regional leads to oversee the audit process nationally;
- undertaken a number of internal consistency and challenge sessions, comparing our clients to each other and with their regional neighbours; and
- undertaken detailed review and quality control of scores and conclusions.

## 4 Managing finances

### Theme summary

Overall the Council is performing adequately on managing its finances. The Council's strength area in this theme is its medium term financial planning which has resulted in a robust Medium Term Financial Strategy and demonstrates clearly how financial planning links through to corporate priorities detailed in Growing Success. However, areas identified for improvement in this theme include:

- Demonstrating greater engagement with local communities and stakeholders in the financial planning process.
- Integrating financial and non-financial performance reporting. There is currently limited evidence of a joined-up approach in revenue monitoring reports to Cabinet and performance monitoring report.

### **KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?**

The Council has effective arrangements in all areas of this KLOE. Corporate and service plans are integrated within the financial planning process to deliver a Medium Term Financial Strategy that focuses resources on priorities. Key outcomes include:

- The Council's Medium Term Plan (MTP) is focussed on Corporate Plan priorities. All proposals for additional spending are required to demonstrate which objectives they relate to and what their impact will be. Any projects where external funds or income are reducing need an MTP bid to allow the service to be maintained. Consideration of such bids allows their relative priority to be considered against the Council's other priorities.
- Evidence of engagement with stakeholders that has impacted on the way services are delivered and evidence that the Council is starting to engage more in this area. For example, a project with Cambridgeshire County Council and a social housing provider which requires engagement with residents on how capital resources should be allocated. A health impact assessment for Huntingdonshire facilitated by the Council has been used to determine what sort of services should be provided or developed for local residents following demographic changes and there is clear evidence of how consultation with users of the leisure centres has resulted in changes to service provision.

The Council has robust and effective medium-term planning processes. The MTP covers detailed variations for the following four years and a financial forecast covering up to a further 10 years. The MTP attempts to model all of the significant expected variations e.g. inflation, pay awards, interest rates. It also includes a forecast of Council Tax levels for the whole forecast period.

Overall, the Council is very clear about the collective responsibility for management of finances. Cabinet and individual portfolio holders are periodically briefed on financial issues to ensure they remain up to speed on current thinking and emerging elements. Cabinet does take a clear lead on financial issues and requires individual portfolio holders to take responsibility for their respective services. We have completed the Audit Commission Treasury Management workbook and no issues of concern have been identified.

### **Recommendation 1 - Demonstrating the Outcomes from Stakeholder Engagement in Financial Planning**

The Council should demonstrate how the engagement of stakeholders in the financial planning process has led to changes in resource allocations and contributed to the achievement of corporate priorities.

### **KLOE 1.2 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?**

There are processes in place to ensure costs and activity are appropriately considered when making significant service delivery decisions, however, the Council provided limited information on how it is working to understand its cost drivers and the factors that influence costs in other areas.

Unit costs are often identified as part of the process for setting fees and charges, though competition from other providers also has a major influence. The Council provided evidence of the impact of benchmarking on some Council services, including its leisure centres, in terms of service provision and costs; however, financial benchmarking is not used systematically across the Council.

The decision-making processes in place at the Council are considered to be sound. Decision-makers are provided with a range of information and all requests for funding for projects require the completion of an appraisal that takes account of costs, risks, the impact on Council priorities and alternative ways of achieving the same result. All decisions on significant projects consider the range of risks that may affect the project and a range of resulting financial outcomes to test if the proposal will continue to be good value within a likely range of results.

The Council has a good track record in achieving its annual savings targets and has processes in place for identifying savings that can be reported against NI179. The Council has a significant target for spending adjustments that it is seeking to achieve through a number of actions including removing any spare budget provision, increasing fees and charges and service reductions, for instance. It is therefore

focussed on achieving these rather than efficiency items in isolation. These are considered on an-ongoing basis as well as part of the annual budget setting process.

The Council has a team of Business Analysts who routinely use Business Process Re-engineering techniques to change the way services work, examples include mobile devices are being deployed to Car Parking attendants, removing the lengthy delays whilst paper is processed within the Council and the Electronic Data Management project which has resulted in increased productivity of processing Housing/Council Benefit forms. The Council now allows customers to make payments using the Internet and, whilst this is at an early stage, there has been a shift of 10% from phone to internet payments.

#### **Recommendation 2 - Using Service Reviews to Challenge Service Delivery**

The Council should continue to review the delivery of its services and identify whether there are alternative methods by which services can be provided on a more cost efficient and effective basis. Where appropriate, reviews should involve consultation with residents and service users. The use of benchmarking has been shown to be effective where it has been applied; the wider application of process benchmarking should be considered.

#### **KLOE 1.3 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?**

Whilst there are some strength areas of performance within this KLOE, there are others where improvements are required, for instance, the Council should look to improve on its review processes when producing its financial statements.

The Council's financial reporting is timely and is reliable and there have been no instances in recent years of forecast and actual outturn varying significantly. The reporting in place means that spending is controlled and variances to budgets are quickly addressed. Officers are provided with finance information on a regular basis and can request support from their service accountants as required.

The Council prepares its accounts in accordance with statutory guidelines. However, in both of the last two financial years significant adjustments were made to the accounts resulting from the audit. There is commitment within the Council to improving the process around financial reporting and this was demonstrated as part of the process of drafting the 2008/9 accounts and a thorough presentation on the accounts was given to the June 2009 Corporate Governance Panel meeting. However, improvements are required to the review process for compiling the accounts to ensure that those approved have been prepared in accordance with all financial reporting standards and that only insignificant adjustments result from the audit.

#### **Recommendation 3 - Improving the Annual Accounts Review Process**

The Council should strengthen its processes for reviewing its financial statements

prior to their approval. Use of the SORP disclosure checklist could be incorporated into this process to ensure that officers with specific responsibilities for sections of the accounts are checking these against the specific requirements of the SORP.

External reporting of financial performance to stakeholders is largely stand-alone and not linked to non-financial performance. The Council does not produce an annual report. The decision for not producing one is based on consultation with stakeholders that has shown limited appetite for this. It does, however, publish its summary financial statements in its quarterly newsletter.

#### **Recommendation 4 - Demonstrating External Accountability**

The Council should review its decision not to publish an annual report and whether this remains appropriate.

## 5 Governing the business

### Theme summary

Overall the Council has been assessed as a level 2 in respect of the Governing the Business theme.

The Council has adequate arrangements, policies and processes in place in terms of most of the key areas covered by this theme, the exception being around adherence to procurement policies which have been flagged as an area of concern and for improvement in the Council's 2008/09 Annual Governance Statement.

Strength areas within this theme have been identified as:

- Well-developed risk management arrangements - the Council has had its risk management strategy included on the National School of Government website as a best practice example.
- Constructive working with the community and voluntary sector demonstrated through the recent move from three year funding to five year funding agreements which should help organisations to build capacity over the longer-term and also to increase the levels of external funding they are able to access.

### **KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?**

Recent internal audit reviews of contract management at the Council have raised significant concerns about practices and processes in place and breaches of the Procurement Code have been identified. This was identified as an issue in the 2008/09 Annual Governance Statement and actions are planned to improve levels of compliance with the Code.

#### **Recommendation 5 - Improving Procurement Processes and Contract Management**

Procurement processes and contract management arrangements must be strengthened. The Council needs to ensure it has appropriate processes in place that result in effective contract management and the weaknesses identified in internal audit reviews need to be addressed as a matter of urgency.

The Council has demonstrated through its provision of leisure services that it is responsive to community needs and there is evidence that how this service is delivered has been shaped in response to feedback received from residents and service users. This is a strength area for the Council and consideration should be given as to whether a similar approach can be used in other service areas.

The Council has provided clear evidence of how it has used IT to improve services and also access to those services in recent years and the role of the Information Management Department in keeping services advised of new possibilities in service delivery offered by IT systems. This has led to changes in the delivery of the Housing Benefits service, for instance and there have also been benefits from the introduction of flexible working into some service areas.

### **KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision making and manage performance?**

Whilst the processes in place and the Strategy that supports the approach to ensuring data quality are considered to be robust, there are weaknesses in ensuring that all processes have been correctly followed. Although, the Council has taken a lead role in developing a Partnership Data Quality Strategy to ensure that, for example, shared data for National Indicators is accurate and reliable. There is no formal routine reporting on the accuracy of data presented in the quarterly performance reports. The most recent internal audits on performance indicators and the balanced scorecard date back to 2006 and gave limited assurance on the systems in place and to date there have been no independent reviews of the data shared and used by partnerships.

We consider that there is a lack of integrated financial and non-financial reporting. Revenue monitoring reports and quarterly performance reports are not routinely scheduled to be presented at the same Cabinet meetings and the reports are collated independently of each other. However, there is evidence that reporting against key performance indicators has been used to address underperformance in service areas. One such example of this is highlighting poor performance in recycling rates which resulted in increased focus and an improvement from 51.7% in 2006/7 to 55.1% in 2007/8. There has also been a marked improvement in processing planning applications following the introduction of a targeted improvement plan which resulted from reporting of under-performance.

#### **Recommendation 6 - Integrating Financial and Non-Financial Performance Reporting**

The Council should look to integrate its financial and non-financial performance reporting. This will further help to ensure that relationships between costs and performance are considered together and aid review of progress against performance targets and ultimately corporate priorities.

### Data quality spot-check and housing benefits data quality results

To support our judgements for KLOE 2.2, we selected two of the Council's key performance indicators based on a risk assessment of the reported outturn position for the year which were subject to detailed checking. Where we identified significant concerns around the quality of the underlying data which would be likely to lead to a material misstatement, we reported our findings to the Audit Commission. Our summary findings are set out in the table below:

**Table 5 - data quality spot-check results**

Indicator Ref	Definition	Significant concerns?
<b>Local</b>	Length of Stay in Temporary Accommodation (ex BV 183a)	NO
<b>Local</b>	Private Sector Dwellings Brought Back in to Use (ex BV64)	YES
<b>HB COUNT</b>	Mandatory work on data quality for housing and council tax benefits	NO

The work undertaken on the local Performance Indicator (PI), Private Sector Dwellings Brought Back in to Use, identified that it had not been calculated in accordance with the methodology to calculate the former Best Value PI 64 which was what the local PI had intended to replicate and the Council had intended to report on. Our work concluded that the actual out-turn position for the PI did not accurately represent performance against its definition. We have discussed this issue with officers and advised that, as this is a local PI, the Council should determine what this indicator is looking to demonstrate about the Council's performance and redefine it and the methodology to calculate it accordingly.

#### Recommendation 7 - Spot-checking Performance Indicators

The Council should consider undertaking spot-checks on performance indicators throughout the year to ensure that they are being calculated correctly and in accordance with the agreed methodology for the indicator.

In reaching conclusions for KLOE 2.2, we also considered the results of the data quality aspects of our work on housing benefits. The management arrangements the Council has in place for Benefits data were assessed and found to be operating satisfactorily. In addition, module 2 of HB Count, the up-rating checklist, was completed to gain assurance that the benefit parameters and allowances had been updated to reflect the annual up-rating exercise. Sample testing confirmed that these parameters and allowances had been applied to the calculation of benefit entitlement and subsidy claimed. A sample of 20 claims was tested for data quality, grant certification and accounts audit opinion purposes. Our work identified no errors.



### **KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance?**

There are constructive working relationships between Officers and Members and there are structures and processes in place to ensure that this extends to the partnerships the Council is involved in. Key outcomes for the Council are:

- The Council has agreed a commissioning model for the voluntary and community sector to assist in the delivery of strategic objectives. This has included the establishment of multi-agency commissioning agreements with Cambridgeshire County Council and the voluntary sector which have replaced individual agreements and led to efficiencies and improvements in performance monitoring and management.
- The use of a Partnership Framework against which all strategic partnerships are evaluated, including an evaluation of governance arrangements which helps to ensure the effectiveness of the partnerships its involved in and that they are assisting in the delivering of Council objectives. The Council has also led on the development of a Data Quality Strategy for Partnerships.

The Council is making progress in other areas, for instance, at the time of the assessment six neighbourhood forums were in the process of being established. These forums will enable residents to raise issues of concern in the communities. It has also been agreed that independent individuals will be co-opted onto its Overview and Scrutiny Panels. This will give representation to community interest groups or those with specialist knowledge.

#### **Recommendation 8 - Demonstrating Outcomes from Partnerships**

The Council should continue to build on its partnership arrangements and be able to demonstrate their effectiveness in terms of how involvement in partnerships has benefited the residents of the District. For instance, how has the Huntingdonshire Strategic Partnership utilised Local Public Sector Agreement (LPSA) funding to assist in the achievement of the Community Strategy priorities and how this contributed towards the achievement of the Council's corporate priorities.

### **KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control?**

The Council has effective arrangements in all areas of this KLOE, and in some areas demonstrates strong outcomes. It has sound risk management arrangements and undertakes a rigorous programme of work to ensure that its systems of internal control are sound. Key outcomes in this area include:

- The use of specialist risk management software and the provision of on-going training and support to officers including a supported quarterly review

of service-level risk registers. This is an innovative approach and the Council has been highlighted on the National School of Government website for its risk management strategy. However, it should also be noted that there is limited take up of risk management training by Members, particularly outside of Members of the Corporate Governance Panel (CGP).

- Over the past five years, aided by joint working with the Department of Work and Pensions, the housing benefits fraud team has shown year on year improvement in its detection rate, sanction outcomes and levels of benefit fraud identified.
- Reporting by Internal Audit to the Council's CGP has resulted in effective monitoring of progress in areas of concern. For instance, monitoring and reporting on the implementation of internal audit recommendations has led to marked improvements.

## 6 Other Resources

For the 2008/09 assessment, the Council was only assessed against one Key Line of Enquiry for this theme, workforce management. Whilst the Council was assessed as a level two overall for this KLOE, there are areas of strength within this theme that are outlined below.

### **KLOE 3.3 - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?**

Workforce planning at the Council is undertaken on a short-term basis through annual service planning or on a reactive basis, for instance, there is some evidence of workforce requirements being reviewed in light of the current economic conditions by specific services. The new HR Strategy and associated action plan should improve longer term planning, but at the time of the assessment, this had not been finalised.

The Council has a well-established appraisal process which includes the setting of individual performance targets and key performance areas which are then linked through to service priorities and corporate objectives and also identifies individual training and development needs. Whilst there is clear evidence that, in some service areas, the Council has specifically focused on developing the skills of employees in post so that they can progress to 'hard to recruit to' positions, there has been no council-wide skills gap analysis.

When undertaking new projects or introducing new initiatives an assessment of the capabilities of staff involved is undertaken, for instance, a skills gap was identified in the capacity for staff to complete the programme of Equality Impact Assessments which was addressed through internal and external training courses. The development of the Environmental Management Division is as a result of a skills gap being identified.

The Council uses a number of methods for engaging, communicating and informing staff of its plans. However, feedback from the most recent staff survey was that less than half of the respondents said that they felt they were kept up-to-date with what the Council was doing despite the Council having an active Employees Liaison Advisory Group. Positively for the Council, the 2009 Employee Opinion Survey showed general improvement in results compared to previous years. There have been significant increases in the level of staff who agree/strongly agree that they feel fulfilled in their jobs (63%, up from 54% in 2007) and that they are satisfied with the Council as their employer (79%, up from 71% in 2007).

Feedback from both stakeholders and employees on the Council's performance as an equal opportunities employer has been positive and the Council has received confirmation that it has met level 3 requirements for the Local Government Equality Standard. The report states that there are many strengths that the organisation possesses with its equalities work.

#### **Recommendation 9 - Long-term workforce planning linked to corporate and business planning**

The Council should move towards longer-term workforce planning which links to its corporate and business planning. This should look to identify where demand for services is likely to result in increased workforce requirements and actions that the Council can take to address any identified gaps. As part of this, the Council should undertake a skills gap analysis and use this as the basis of its training and development programmes. The Council needs to ensure that the analysis is sufficiently detailed to provide the information needed to contribute to its longer-term workforce planning.

## A Action plan

No.	Recommendation	Priority	Management response	Implementation details
1	<p><b>Demonstrating the Outcomes from Stakeholder Engagement in Financial Planning</b></p> <p>The Council should demonstrate how the engagement of stakeholders in the financial planning process has led to changes in resource allocations and contributed to the achievement of corporate priorities.</p>	Medium	Where appropriate we consult and engage with the public on services and the way in which they are delivered. We have evidence of how this has resulted in resource allocation. We have undertaken and continue to undertake consultation on the priorities for Huntingdonshire. The council will continue to do this and develop its engagement.	Ongoing

No.	Recommendation	Priority	Management response	Implementation details
2	<p><b>Using Service Reviews to Challenge Service Delivery</b></p> <p>The Council should continue to review the delivery of its services and identify whether there are alternative methods by which services can be provided on a more cost efficient and effective basis. Where appropriate, reviews should involve consultation with residents and service users. The use of benchmarking has been shown to be effective where it has been applied; the wider application of process benchmarking should be considered.</p>	Medium	<p>The Council has embarked on a two-fold transformation programme “Balancing the budget, securing our future” this is the council’s long term plan to achieving savings and efficiencies whilst still maintaining or improving essential and priority services. This involves critical analysis and challenge to existing services.</p> <p>The council is also a sponsor of Making Cambridgeshire Count which will look at how we can shift and use resources differently to tackle inequalities.</p>	3 year programme starting in 2009

No.	Recommendation	Priority	Management response	Implementation details
3	<p><b>Improving the Annual Accounts Review Process</b></p> <p>The Council should strengthen its processes for reviewing its financial statements prior to their approval. Use of the SORP disclosure checklist could be incorporated into this process to ensure that officers with specific responsibilities for sections of the accounts are checking these against the specific requirements of the SORP.</p>	High	Agreed	Additional stages will be built into the close down process for 2009/10 in liaison with external audit.
4	<p><b>Demonstrating External Accountability</b></p> <p>The Council should review its decision not to publish an annual report and whether this remains appropriate.</p>	Medium	We will publish all the information that would be included in an Annual report periodically in District Wide, the Council's magazine distributed to all households in the district. The same information will also be available to view, all in one location on the internet.	Ongoing

No.	Recommendation	Priority	Management response	Implementation details
5	<p><b>Improving Procurement Processes and Contract Management</b></p> <p>Procurement processes and contract management arrangements must be strengthened. The Council needs to ensure it has appropriate processes in place that result in effective contract management and the weaknesses identified in internal audit reviews need to be addressed as a matter of urgency.</p>	High	Directors of Central Services and Commerce and Technology have undertaken to report back the Corporate Governance Panel on compliance with the Code and the Council has initiated improvements to the procurement process.	Ongoing
6	<p><b>Integrating Financial and Non-Financial Performance Reporting</b></p> <p>The Council should look to integrate its financial and non-financial performance reporting. This will further help to ensure that relationships between costs and performance are considered together and aid review of progress against performance targets and ultimately corporate priorities.</p>	High	<p>We will work towards this with available resources.</p> <p>An exercise by Heads of Service to breakdown their budgets by Corporate objective has been undertaken. This has been reported to Members of the Corporate Plan working group at the same time as they consider the quarterly performance reports</p>	<p>Ongoing</p> <p>Commenced Spring 2009, ongoing thereafter.</p>



No.	Recommendation	Priority	Management response	Implementation details
7	<p><b>Spot-checking Performance Indicators</b></p> <p>The Council should consider undertaking spot-checks on performance indicators throughout the year to ensure that they are being calculated correctly and in accordance with the agreed methodology for the indicator.</p>	High	<p>Managers will be reminded of the need to spot check their data and confirm this has been done. Other spot checks will be undertaken as part of the general service or reviews by internal Audit as and when appropriate.</p> <p>The quarterly performance reports to Chief Officers Management Team (COMT) and Cabinet now include a statement from the Head of Service confirming that the data has been collected in accordance with the appropriate Divisions' data measure templates</p>	<p>Policy &amp; Research manager to e-mail all Heads of Service</p> <p>From September 2009 the quarterly performance reports to COMT and Cabinet include a statement from the Head of Service confirming the data quality</p>

No.	Recommendation	Priority	Management response	Implementation details
8	<p><b>Demonstrating Outcomes from Partnerships</b></p> <p>The Council should continue to build on its partnership arrangements and be able to demonstrate their effectiveness in terms of how involvement in partnerships has benefited the residents of the District. For instance, how has the Huntingdonshire Strategic Partnership utilised Local Public Sector Agreement (LPSA) funding to assist in the achievement of the Community Strategy priorities and how this contributed towards the achievement of the Council's corporate priorities.</p>	High	<p>The winter 2008 edition of the Councils magazine "District Wide" gave an update on how the LPSA Reward Grant was going to be used and identified the projects. The January 2010 editions will contain further articles on Partnership achievements and a further update on LPSA projects.</p>	Ongoing

No.	Recommendation	Priority	Management response	Implementation details
9	<p><b>Long-term workforce planning linked to corporate and business planning</b></p> <p>The Council should move towards longer-term workforce planning which links to its corporate and business planning. This should look to identify where demand for services is likely to result in increased workforce requirements and actions that the Council can take to address any identified gaps. As part of this, the Council should undertake a skills gap analysis and use this as the basis of its training and development programmes. The Council needs to ensure that the analysis is sufficiently detailed to provide the information needed to contribute to its longer-term workforce planning.</p>	Medium	This is being addressed via the review of and delivery of the HR strategy.	HR strategy to Employment Panel 9 <sup>th</sup> Dec. Implementation plan put into action from Jan 2010

## B CAA and the new Use of Resources Framework

### The Old UoR Regime

Local authorities' Use of Resources (UoR) has been assessed by external auditors under the Comprehensive Performance Assessment (CPA) regime since 2005. Until 2008, this took the form of an assessment in each of the following 5 areas:

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

Authorities received an overall UoR score, and a score for each area as set out below:

Score	Key
1	Below minimum requirements - performing inadequately
2	At only minimum requirements - performing adequately
3	Consistently above minimum requirements - performing well
4	Well above minimum requirements - performing strongly

This score directly influenced each organisation's overall CPA score and had a significant impact on external perception and reputation.

### The move to Comprehensive Area Assessment

The CPA regime provided an effective roadmap and stimulus for improvement, which helped many authorities to move in the right direction, focusing on externally validated strengths and weaknesses. This was reflected by a national picture of gradually improving scores and assessment results from 2005-8, and improving services to the public.

However, in order to build on the success of CPA, the Audit Commission recognised the need to:

- Ask "how well are people served by their local public services?" rather than "how well are people served by their Councils?"
- Focus on outcomes for an area, not just on individual organisations
- Consider local priorities rather than apply a "one-size fits all" approach
- Consider whether performance is likely to improve in the future, rather than how it has improved in the past
- Place less importance on compliance and rules to reflect local differences.

In late 2007 the Audit Commission began to consult on a new framework for comprehensive area assessment (CAA), of which an updated UoR assessment would be a key component. The CAA framework that emerged focuses on areas rather than the organisations within them, and holds local partners jointly to account for their impact on the things that matter to the area as a whole. The CAA asks three key questions:

- How well do local priorities express community needs and aspirations?
- How well are the outcomes and improvements needed being delivered?
- What are the prospects for future improvement?

The CAA does not give an overall score, as was the case for CPA. However, there will be green flags given for innovative or exceptional performance and red flags given to indicate concerns about outcomes and performance.

### CAA - key changes

CPA	CAA
Local government focus	All sectors and partners
Institution based	Area based
One size fits all	Focus on local priorities
Performance	Outcomes and perceptions
Collaboration between regulators	Joint assessment
Cyclical inspection	Continuous assessment, proportionate inspection
Focus on past performance	Focus on future improvement

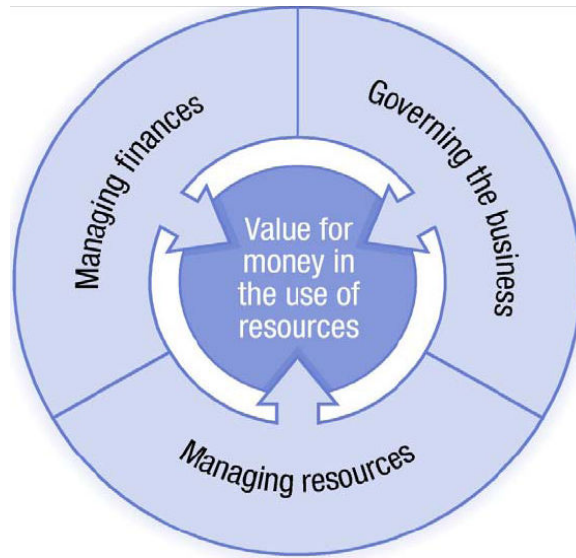
*Source:- Audit Commission*

### Use of Resources under CAA

Alongside the area assessment, CAA will include organisational assessments for key public sector organisations including councils, primary care trusts (PCTs), police forces and fire authorities. Each organisational assessment consists of two components; an assessment of how effectively the organisation is addressing its own priorities, called "managing performance" for councils, and an updated UoR assessment will be applied similarly across the different types of organisation.

The new UoR framework under CAA applies from 2008/09. The diagram below shows the overall approach to the revised UoR framework. There are three themes replacing the five areas included in the old framework, and a number of key lines of enquiry (KLOEs) within each theme.

**Use of Resources under CAA (source: the Audit Commission)**



The individual KLOEs for each theme are detailed in the main body of this document. Scoring criteria are set out in appendix C.

## C Scoring criteria and rules

The table below summarises the criteria used to reach scored judgements for each KLOE.

Level 2 Performs adequately	Level 3 Performs well	Level 4 Performs excellently
Arrangements consistent with established professional practice and guidance, meet <b>statutory requirements</b> and operate effectively.	Implemented effective arrangements that are: <ul style="list-style-type: none"> <li>➤ <b>forward looking</b> and <b>proactive</b> in identifying and developing opportunities for improvement; and</li> <li>➤ include more sophisticated measuring and assessment techniques.</li> </ul>	Demonstrating <b>innovation</b> or <b>best practice</b> .
Arrangements sufficient to address the KLOE.	<b>Outputs</b> and <b>outcomes</b> demonstrate arrangements which are effective and have the <b>intended impact</b> , and show evidence of effective <b>partnership working</b> .	Demonstrating strong <b>outcomes for the community</b> including through <b>partnership working</b> .
Arrangements achieve minimum <b>acceptable levels of performance</b> .	Evidence of performing <b>consistently above minimum acceptable levels</b> and achieving <b>VFM</b> .	Evidence of performing <b>well above minimum acceptable levels</b> and achieving <b>excellent VFM</b> .

Theme scores are derived from a numerical average of the KLOE scores within that theme. In some cases such as theme 2 or theme 3 when only 2 out of 3 KLOEs are assessed, the average of KLOE scores could result in a number ending in .5. In such cases the following rules apply in 2008/9:

- For theme 2, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 2.2. Examples - KLOE scores of 3,2,2,2 = theme score of 2. KLOE scores of 3,2,3,2 = theme score of 2. KLOE scores of 2,3,3,2 = theme score of 3.
- For theme 3, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 3.1. Examples - KLOE scores of 3,2 = theme score of 3. KLOE scores of 2,3 = theme score of 2.

The Audit Commission document at the link below details the overall approach to UoR framework and full details of scoring methodology.

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>

In addition the Commission published auditor guidance for the UoR framework. This is available at the link below. This provides details of the specific KLOE's and expected indicators for levels of performance:

<http://www.audit-commission.gov.uk/localgov/audit/UoR/Pages/guidance.aspx>



## D KLOEs specified for assessment in 2008/9 and 2009/10

Some KLOEs are assessed on a rotating basis. The table below summarises the KLOEs that were assessed and formed the basis for the VfM conclusion in 2008/9:

Theme 1 - Managing finances		Single tier or county council	Districts	NHS PCTs
1.1	Financial planning	Y	Y	Y
1.2	Understanding costs	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning and procurement	Y	Y	WCC
2.2	Use of data	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Internal control	Y	Y	Y
Theme 3 - Other resources				
3.1	Environmental management	Y	N	N
3.2	Asset management	Y	N	Y*
3.3	Workforce management	N	Y	Y

\*only assessed at PCTs with a significant asset base.

For the 2009/10 assessment, the following KLOEs will be assessed and will form the basis for the VfM conclusion. Scores achieved in 2008/9 will continue to apply for 2009/10 for those KLOEs not being assessed in year 2.

Theme 1 - Managing finances		Single tier or county council	Districts	NHS PCTs
1.1	Financial planning	Y	Y	Y
1.2	Understanding costs	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning and procurement	Y	Y	WCC
2.2	Use of data	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Internal control	Y	Y	Y
Theme 3 - Other resources				
3.1	Environmental management	N	Y	Y
3.2	Asset management	Y	N	N
3.3	Workforce management	Y	N	Y

\*only assessed at PCTs with a significant asset base.

Full details of the scoring methodology are provided at the Audit Commission's website at:

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>



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## **Huntingdonshire District Council**

### **Annual Audit Letter 2008/09**

**December 2009**

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# 1 Introduction and key messages

## Purpose of this Letter

- 1.1 This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at Huntingdonshire District Council ('the Council') during our 2008/09 audit. The Letter is written in an accessible style, designed to communicate our key messages to the Council and external stakeholders, including members of the public. The Letter will be published on the Council's website.

## Responsibilities of the external auditors and the Council

- 1.2 This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).
- 1.3 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.
- 1.4 Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.
- 1.5 In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission to review and provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies.
- 1.6 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

## What this Letter covers

- 1.7 This Letter covers the audit work we have carried out in 2008/09, including key messages and conclusions from our work in:
- auditing the 2008/09 year end accounts (Section 2)
  - assessing the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources (Section 3)
  - certifying claims and returns (Section 4).

- 1.8 We have not repeated recommendations agreed with the Council during the year in this Letter. A list of the reports issued can be found at Appendix A. Appendix B sets out our actual and budgeted fees for 2008/09.
- 1.9 The findings of our work in 2008/09 contribute towards the Audit Commission's Organisational Assessment of the Council and the Comprehensive Area Assessment for Cambridgeshire. The results of this work will be reported separately to the Council by the Audit Commission.

### **Key areas for Council action**

- 1.10 We highlight the following key areas, where the Council should take action in 2009/10:
- The Council should continue its preparations for the introduction of accounting under International Financial Reporting Standards (IFRS), including ensuring that asset valuation procedures are sufficiently robust.
  - The Council should improve its contract management arrangements and procurement processes to ensure that all officers are complying with requirements and that the weaknesses identified by the internal audit and reported on in the Council's Annual Governance Statement are addressed.
  - The Council should ensure that its medium term financial planning takes account of the current economic climate and the likely restrictions in public spending in the short to medium term.
- 1.11 The context for these key messages can be found in this Letter.



## 2 Audit of accounts

### Introduction

- 2.1 We issued an unqualified opinion on the Council's 2008/09 accounts on 22 September 2009, ahead of the statutory certification deadline. Our opinion confirms that the financial statements 'present fairly' the financial position of the Council.
- 2.2 Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to "those charged with governance" (for the purposes of accounts approval, the Corporate Governance Panel is designated as "those charged with governance"). We presented our Report to the Corporate Governance Panel on 22 September and summarise only the key messages in this Letter.

### Audit of the accounts

- 2.3 The Council provided draft 2008/09 accounts on 23 June 2009. Closedown was well managed by the Council this year and there is clear corporate commitment to producing good quality accounts. The standard of working papers produced by the Finance Team is good, although there remain areas where improvements could be made.
- 2.4 Our audit identified no material misstatements, but a number of adjustments were required to the accounts, including three relating to the revaluation of fixed assets that took place during the year, including:
- £663k of revaluation gains had not been recognised in the draft statement of accounts;
  - the impairment charge through the income and expenditure account was understated by £489k in the draft statement of accounts; and
  - the Council's revaluation reserve was understated by £355k.
- 2.5 The correction of the accounting errors identified in our Annual Report to those Charged with Governance had no impact on the General Fund balance or charges to Council tax payers.

### Financial performance

- 2.6 The Council added £14,000 to its Council Fund balance in 2008/9 and has set a balanced budget for 2009/10 and for the period of the current Medium Term Financial Strategy (MTFS); however, this involves deficit funding through the use of its revenue reserves and by 2013 the Council is forecasting its revenue reserves will be at a level of approximately £3m. Likewise, the Council's capital reserves have been significantly reduced, with £16m being spent in 2008/09, primarily on the development of the new Council offices. The Council recognises that all future capital expenditure will have to be funded from borrowing.

- 2.7 The financial monitoring report as at 30 September 2009, forecasts that at year end, the budget will be underspent by £500k leading to a reduction in the drawings from revenue reserves to £3.3m for the full year. The Council has reported on the main reasons for the variances. Reductions in planned expenditure are largely attributable to technical issues such as the lower cost of borrowing and the transfer of expenditure to capital. However, the Council is seeing reductions in income from a number of sources and the forecast cost of concessionary fares to the Council has also increased.

***The Council will need to continue to closely monitor performance against its budget and ensure that it continues to take appropriate action to manage variations to forecasts without impacting on service delivery.***

## Financial systems

- 2.8 We undertook sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Council's key financial control systems did not identify any control issues that presented a material risk to the accuracy of the financial statements.
- 2.9 We reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to support our work in auditing the Council's 2008/09 accounts. We also took assurance from the work of internal audit to support our responsibilities in documenting and understanding material systems used to prepare the statement of accounts.
- 2.10 We performed a high level review of the general IT control environment 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.

## Annual Governance Statement

- 2.11 We examined the Council's arrangements and process for compiling the Annual Governance Statement (AGS). In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council. As the AGS must be reviewed and, as necessary, updated as at the date of signing our audit opinion, we reviewed the final version of the AGS as part of our audit completion procedures. We concluded that the AGS was consistent with our knowledge of the Council.

## Icelandic Banks - the Council's Response

- 2.12 The Council did not have any investments in Icelandic banks at the time of collapse of these banks, but as a response to the Audit Commission report on Icelandic investments it reviewed its treasury management arrangements. Further, in light of the Icelandic bank crisis, auditors were requested by the Audit Commission to review the Treasury Management Arrangements in place at councils. Our review of the Council's Treasury Management arrangements did not identify any significant concerns.

## **Members' expenses and allowances**

- 2.13 Due to the high profile coverage of Parliamentary expenses during 2008/09, we looked at members' and senior officers' allowance and expenses in greater detail than in previous years. Our review of the arrangements in place, found appropriate procedures and controls are currently in operation at the Council.

## **Looking ahead**

- 2.14 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 IFRS into the 2010/11 accounts. 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.

## 3 Use of resources

### Introduction

- 3.1 We issued our annual VFM conclusion on 22 September 2009, at the same time as our accounts opinion, ahead of the required deadline. We concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.
- 3.2 Prior to giving our VFM conclusion, we summarised the basis of this conclusion in our Annual Report to those Charged with Governance, which we presented to the Corporate Governance Panel on 22 September 2009. We have provided further detail and set out the results of our assessment of the Council against the use of resources framework in our Use of Resources 2009 report. In this Letter we summarise the key messages from this work.

### 2008/09 VFM conclusion and use of resources assessment

- 3.3 Our VFM conclusion was informed by our use of resources work which, in councils, is based on the Audit Commission's new use of resources (UoR) assessment. The new framework emphasises **outcomes** over **processes**, and brings new areas into the assessment such as environmental management. It presents a more robust challenge than the old framework, based on different scoring criteria. It should be noted, therefore, that changes from prior year scores do not necessarily reflect an objective change in performance.
- 3.4 In order for us to provide a unqualified conclusion, the Council needed to achieve an 'adequate' assessment (score of at least 2) for each component of the UoR assessment.
- 3.5 Our UoR assessment concluded that the Council had at least adequate arrangements in all areas: arrangements were consistent with established professional practice and guidance, met statutory requirements and operated effectively. Our VFM conclusion was 'unqualified'.
- 3.6 The 2008/09 scores by Key Line of Enquiry (KLoE) area are shown in the table below.

**Table 1: UoR scores 2008/09**

Theme / KLoE		Score
<b>Theme 1 - Managing finances</b>		<b>2</b>
1.1	Financial planning	3
1.2	Understanding costs	2
1.3	Financial reporting	2

<b>Theme 2 - Governing the business</b>		<b>2</b>
2.1	Commissioning and procurement	2
2.2	Use of data	2
2.3	Good governance	3
2.4	Internal control	3
<b>Theme 3 - Managing resources</b>		<b>2</b>
3.3	Managing natural resources	N/A*
3.2	Asset management	N/A*
3.3	Workforce management	2

- 3.7 We assessed the Council as performing adequately in all areas of the assessment; however, in three areas the Council was assessed as performing well due to evidence of strength in areas such as its medium term financial planning, risk management arrangements and the effectiveness of its housing benefits anti-fraud team.
- 3.8 The high priority recommendations arising from our UoR assessment were for the Council to ensure that it:
- strengthens further its arrangements for reviewing its financial statements prior to their approval;
  - improves its contract management arrangements and procurement processes to ensure that all officers are complying with requirements and that the weaknesses identified by internal audit, and reported on in the Council's Annual Governance Statement, are addressed;
  - is correctly reporting performance against its national and local performance indicators, for example, by undertaking spot-checks on performance indicators throughout the year to ensure that they are being calculated correctly and in accordance with the agreed methodology for the indicator; and
  - continues to build on its partnership arrangements and is able to demonstrate how involvement in partnerships has benefited the residents of the District.
- 3.9 We have proposed a number of recommendations for these improvement and we will review progress on implementation during the 2009/10 audit.

## National Fraud Initiative (NFI)

- 3.10 The Audit Commission are in the process of completing an assessment of how audited bodies have addressed NFI. The first stage of this has been our completion of an initial risk assessment on the Council's progress with output from the 2008/09 exercise. We assessed progress via a review of the Council's reports on the NFI website. The result of our review was an 'amber' assessment of the arrangements that the Council currently has in place for following up NFI, mainly due to a lack of progress on some reports on the system at the time of our review. However, we understand that this was due to access not being granted to the investigating officers which has been addressed. It was noted that the Council has made good progress on other areas of the exercise.

- 3.11 We will continue to monitor the progress the Council makes with this work and report any concerns to the Director of Technology and Commerce, the Internal Audit Manager and Corporate Governance Panel as appropriate.
- 3.12 As the next stage of this process the Audit Commission NFI team will monitor progress through management information and evaluation of auditor risk assessments to select bodies for site visits and will also review a sample of bodies' strategic approaches to using information from the NFI. The outcomes from this work will also inform our conclusions on the Council's arrangements for preventing and detecting fraud and corruption and KLOE 2.4 of the Use of Resources assessment.

### Looking ahead

- 3.13 We agreed our indicative 2009/10 audit fee with the Council in April 2009. Our initial assessment of local risks did not identify any additional use of resources work to support our VFM conclusion. We are in the process of revisiting this assumption based on the outcomes of the 2008/09 Use of Resources assessment and discussion with key officers of the Council. Any changes to this will be built into our risk assessment for our 2009/10 plan and be included in our full plan to be issued in December 2009.

## 4 Certification of claims and returns

### Introduction

- 4.1 In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission to review and provide certificates on the accuracy of grant claims and returns to various government departments and other agencies.
- 4.2 The Audit Commission prescribes our work in this area. Each year, it agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instructions(CI).
- 4.3 Certification work provides important and valuable assurances to taxpayers over public funds, for example:
- each year, auditors certify £43 billion of public funds
  - since 2004, auditors have found errors of over £0.5 billion in the claims and returns prepared by local authorities
  - the level of the errors found by auditors and corrected by authorities since new arrangements were introduced, in 2004, is almost five times the cost of auditors' certification work
  - 10% of claims and returns have been adjusted for errors and 37% have been qualified over the past five years
  - significant amounts of overpaid subsidy are recovered from authorities by grant-paying bodies when action is taken to follow up auditors' qualifications – one grant-paying body has recovered over £63 million in the past three years.
- 4.4 In its national report, "Review of arrangements for certifying claims and returns" (September 2009), the Audit Commission identified that further improvements in performance in preparing and auditing claims and returns are achievable:
- local authorities need to attach greater importance to the preparation of claims and returns to reduce the volume and value of errors made
  - grant-paying bodies should improve their understanding of the certification process
  - auditors need to do more to raise the profile of certification work at the local level and encourage authorities to improve their use of resources.

## Key messages

- 4.5 The Council has three grant claims that were subject to certification in 2008/9:
- Disabled Facilities Grant;
  - National Non-Domestic Rates return; and
  - Housing and Council Tax Benefit Subsidy return.
- 4.6 As in 2007/8, all grants claims and returns that required certification were submitted on time. All claims were also certified by the required deadline for both 2007/8 and 2008/9.
- 4.7 Both the Disabled Facilities Grant and National Non-Domestic Rates return were certified without amendment. Minor amendments were made to the Housing Benefit Subsidy return as a result of our certification work. However, our work has highlighted no major concerns relating to systems and controls in place to administer and record housing and council tax payments at the Council.



## 5 Closing remarks

### **Introduction**

- 5.1 This Letter was agreed with the Director of Commerce and Technology on 24 November 2009 and will be presented to Corporate Governance Panel on 9 December 2009.
- 5.2 We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit. Our aim is to deliver a high standard of audit, which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support.

**Grant Thornton UK LLP**  
**December 2009**

## Appendix A 2008/09 reports issued

<b>Report</b>	<b>Date issued</b>
Audit Plan	May 2008
Use of Resources and Data Quality 2008	March 2009
Audit Strategy Document	June 2009
Annual Report to those Charged with Governance	September 2009
Use of Resources 2009	November 2009
Annual Audit Letter	December 2009

## Appendix B Audit fees 2008/09

Audit area	Budget 2008/09	Actual 2008/09
Financial statements, including WGA	43,016	43,016
VFM conclusion/Use of resources/Data Quality	34,830	34,830
<b>Total Code of Practice fee</b>	<b>77,846</b>	<b>77,846</b>
Certification of claims and returns	*20,000	TBC
<b>Total fees</b>	<b>97,846</b>	<b>77,846</b> (plus certification costs)

\* Represents the initial estimate of the cost of certification work, which is billed on a cost incurred basis. The 2007/08 cost was £25,865.



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**CODE OF PROCUREMENT  
(Report by the Directors of Central Services and  
Commerce & Technology)**

**1. INTRODUCTION**

- 1.1 The purpose of this report is to advise the Panel on the actions taken or planned to promote compliance with the Council's Code of Procurement and/or to promote better procurement practices across the Council's organisation.

**2. BACKGROUND**

- 2.1 At the last meeting of the Panel the Audit & Risk Manager drew Members' attention to a number of occasions over the past year where reviews have identified breaches of the Council's Code of Procurement. These included –

- ❖ non-compliance with external procurement regulations;
- ❖ awarding further work to contractors who were initially appointed without competition;
- ❖ awarding contracts on the basis of a single tender or quotation where competition could have been achieved;
- ❖ not keeping records of quotations;
- ❖ not recording tender evaluation processes;
- ❖ using non-standard contract terms and conditions without adequate consideration or challenge;
- ❖ the appointment of sub-contractors without competition;
- ❖ not retaining documentation on which tenders were based and evaluated; and
- ❖ contract documentation which does not fully protect the Council's interests.

- 2.2 In making his report, the Panel were advised by the Audit & Risk Manager that from the breaches identified there was no suggestion of corruption or collusion or wrongdoing between contractors and Council Officers.

- 2.3 Over the same period there have also been examples of procurement that comply with the provisions of our Code and which have produced significant savings and enabled service improvements.

- 2.4 As a consequence of these findings, the Directors of Central Services and Commerce & Technology offered to undertake a review of the underlying causes and to suggest actions which could be taken to ensure that similar breaches are discouraged in the future. In so doing, the Directors had in mind that the Code of Procurement has a dual function: to provide a framework which protects the Council's reputation by avoiding alleged or actual malpractice and to provide a framework of good procurement practices to obtain value-for-money

for the Council. The Code is shaped by the overriding laws and regulations such as those established by the European Union.

2.5 Having undertaken the review, there are a variety of reasons, sometimes in combination, why breaches of the Code of Procurement have occurred. These include –

- ❖ a lack of appreciation of the benefits of good procurement/competition;
- ❖ a lack of knowledge about rules and processes;
- ❖ limited forward planning;
- ❖ specifications and budget costs which are led by suppliers;
- ❖ a low appetite for risk, leading to the promotion of incumbent suppliers; and
- ❖ conflicting work priorities - competitive processes can impose additional workload and time demands.

In the majority of cases, these failings in terms of the Code can be summarised as a desire to “get the job done as easily and quickly as possible”.

2.6 In addition, from December this year new regulations come into force which strengthen the impact and increase the penalties for not complying with EU Directives on procurement.

2.7 Two particular initiatives are already underway which will make elements of procurement more streamlined. The first is the increase in the number of purchasing cards which makes internet purchasing available to more services. The second is the introduction of an E-Marketplace early next year which will reduce paper, streamline systems and ensure that competition requirements are complied with. There is potential for the volume of spending on the E-Marketplace to expand but there will be projects and construction schemes which will need to continue to be bespoke procurements.

### **3. ACTION PROPOSED**

3.1 Immediately following the Panel in September, Heads of Service and Senior Managers were instructed to ensure that all procurement was conducted in accordance with the Council’s Code of Procurement, pending a more detailed review. In so doing, they were advised of a number of sources of help and advice if they needed support. They were also invited to comment on measures that could be taken to improve procurement practices and ensure compliance with the Code.

3.2 The proposed developments, set out below, include comments received from Heads of Service, together with suggestions from relevant Officers with responsibility for overseeing compliance with the Council’s legal, financial, procurement and risk activities. Work has started already on some of these initiatives, others will be undertaken in due course and some will continue over the longer-term.

<b>Activity</b>	<b>By Whom</b>	<b>By When</b>
As soon as the Draft MTP is formally approved each December, Heads of Service will be asked to supply expected dates for procurement and the proposed method.	Heads of Service in liaison with the Procurement Manager	January each year
Heads of Service will be asked to identify procurements over £30k that they expect to require within the next 2 years that are not already covered by the MTP exercise above.	Heads of Service in liaison with the Procurement Manager	6 monthly First report April 2010
Both of the above activities will form the basis of periodic procurement reporting to COMT.		
Production of a Procurement Strategy: a succinct document to identify procurement by priority areas and outline the likely processes to be adopted taking into account the EU requirements, non-traditional, standardisation and commissioning etc..	Procurement Manager in conjunction with relevant Managers	April 2010
To provide additional training on - Good practice procurement and compliance overview ❖ Heads of Service and Senior Managers ❖ Other Managers involved in procurement Best procurement Practices and Compliance ❖ Regular "buyers"  Update the supporting documentation and guidance already available on the intranet when necessary.	Procurement Manager Support from Heads of Law, Property & Governance and Democratic & Central Services	Training programme commencing in January 2010 and then continuing.
Review the Code of Procurement to make understanding more easy and develop it to reflect internet procurement and the E-Marketplace.	Head of Financial Services	February 2010

#### **4. MONITORING AND REVIEW**

- 4.1 The Council already has a number of processes in place, including internal audit reviews, which will continue to monitor compliance with the Council's Code of Procurement, the promotion of good procurement practices and the effectiveness of these additional activities. Further reports will be submitted to the Panel if necessary and will otherwise be highlighted in the Annual Audit Report prepared by the Audit & Risk Manager.

#### **5. CONCLUSIONS AND RECOMMENDATIONS**

- 5.1 The Council's Code of Procurement is one of the cornerstones of the Council's Corporate Governance framework and is an important means to ensure that the Council obtains the best value for money from the services it provides. This has been highlighted to all managers which, together with existing and proposed developments will help to achieve these objectives.
- 5.2 Members of the Panel are asked to endorse the developments that are proposed.

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#### **Background Papers**

- Annual Audit Report prepared by the Audit & Risk Manager
- Council's Code of Procurement