

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **CIVIC SUITE, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **TUESDAY, 27 SEPTEMBER 2011** 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 28th June 2011.

**Mrs A Jerrom
388009**

2. MEMBERS' INTERESTS

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

3. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT (Pages 5 - 28)

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

**D Harwood
388115**

4. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL (Pages 29 - 44)

To consider a report by the Head of Financial Services detailing the outcome of the review of the effectiveness of the Corporate Governance Panel.

**S Couper
388103**

5. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT SERVICE (Pages 45 - 50)

To consider a report by the Managing Director (Resources) detailing the outcome of a review of the effectiveness of the Internal Audit Service.

**S Couper
388103**

6. GOVERNANCE STATEMENT (Pages 51 - 70)

To consider a report by the Head of Legal and Democratic Services seeking endorsement of the Council's Governance Statement for 2010/11.

**H Thackray
388035**

7. LOCAL GOVERNMENT OMBUDSMAN - LOCAL SETTLEMENT OF COMPLAINT (Pages 71 - 72)

To consider a report by the Head of Legal and Democratic Services on the local settlement of a complaint made to the Local Government Ombudsman.

**A Roberts
388015**

8. TRAINING OF PANEL MEMBERS (Pages 73 - 74)

To consider a report by the Head of Financial Services outlining the Panel's work programme over the next year and providing Members with an opportunity to identify any training requirements that they might have.

**D Harwood
388115**

9. APPROVAL FOR PUBLICATION OF THE 2010/11 ACCOUNTS

Unfortunately, due to a combination of reasons, it will not be possible to have the final accounts ready for the Panel's meeting. As it is a statutory requirement that the accounts are approved by the Panel before publication, it will mean that an extra meeting of the Panel will be required – details to be confirmed.

**S Couper
388103**

Dated this 19 day of September
2011



Head of Paid Service

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@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Panel.

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

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

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

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

Emergency Procedure

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

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Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Tuesday, 28 June 2011.

PRESENT: Councillor E R Butler – Chairman.
Councillors M G Baker, G J Harlock and T V Rogers.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors R S Farrer, A R Jennings and P G Mitchell.

4. MINUTES

The Minutes of the meetings of the Panel held on 23rd March and 18th May 2011 were approved as a correct record and signed by the Chairman.

5. MEMBERS' INTERESTS

No declarations were received.

6. FINAL ACCOUNTS 2010/11

(Mr C McLaughlin of Pricewaterhouse Coopers LLP, the Council's external auditors, was in attendance for consideration of this item).

With the aid of a presentation by the Head of Financial Services, the Panel considered the draft Statement of Accounts for the year ended 31st March 2011 (a copy of which is appended in the Minute Book) and a series of amendments which were tabled at the meeting (a copy of which is also appended in the Minute Book).

Members were acquainted with changes to the Accounts and Audit Regulations which no longer required Members to approve accounts before they were audited. However the Panel was reminded that because of changes created by the introduction of International Financial Reporting Standards (IFRS) in 2011, the Panel had requested previously that the accounts be presented to them. The Panel was advised of the complexity of the new accounting system which, following significant Government and accountancy institute pressure on local authorities, would now mirror more closely those of the private sector. Members were assured that the accounts, which formed the official record of what had happened over the last year, would be robustly audited by external auditors PricewaterhouseCoopers LLP and any significant concerns would be reported to the Panel in September.

The Panel was acquainted with the recommendations made by the auditors following the publication of last year's accounts and the remedial action that had been taken where appropriate. Following assurances that current IT systems and practices were adequate,

Members concurred with the view that a network intrusion detection system could not be justified at the present time due to the excessive cost both in terms of finance and staff time and in light of more anticipated changes by the Government.

The Panel was advised also that following a recent technical check, the item on leases would need to be amended.

Having requested clarification on a number of details within the report including the payment date for election fees and having highlighted a number of inconsistencies, Councillor G Harlock was advised that amendments would be made where necessary during the final stage of preparation by the team. The Accountancy Manager also undertook to circulate responses to the questions raised.

Having commended officers, in particular the Head of Financial Services and his team on the compilation of the accounts given the restricted timeframe and challenging circumstances, the Panel

RESOLVED

that, subject to the amendments circulated at the meeting and minor textural amendments, the draft Statement of Accounts for the year ended 31st March 2011 be noted.

7. INTERNAL AUDIT PLAN

The Panel received a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) to which was annexed a proposed Internal Audit and Assurance Plan for the 12 months period commencing 1st August 2011.

The Panel was acquainted with the background to the resourcing of the Plan and advised that the internal audit service maintained a four year strategic audit plan. It was explained that although there had been a reduction in the number of audit staff in the previous year, proposals for the introduction of 'lean' and continuous auditing of the Council's financial systems should mean that the need to buy in the extra audit days that had been previously anticipated would be eliminated.

Having been advised that computer audits had in the past been carried out by external computer auditors and did not form part of the submitted audit plan, the Panel was informed of preliminary talks with both Peterborough City and Cambridge City Councils on future joint computer audit arrangements.

Having raised concerns over what potentially appeared to be the excessive time allocated for the auditing of both the Charter for Elected Member Development and office and mobile telephone use, the Panel

RESOLVED

that having regard to the aforementioned comments the Audit and Assurance Plan be noted.

8. COMPLAINTS

The Panel received and noted a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) containing an analysis of the Council's internal complaints and a summary of complaints concerning the District Council which had been determined by the Local Government Ombudsman in 2010/11.

The Panel was advised that response times for responses to requests for information by Ombudsman investigators had been reduced from 47.2 to 18.4 days following criticism from the Ombudsman.

RESOLVED

that the report be received and noted.

Chairman

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ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT (Report by the Audit & Risk Manager)

1. INTRODUCTION

- 1.1 This report details the changes that have been made to the Accounts & Audit Regulations (A&AR) , the affect those changes have had upon the Council's system of internal audit and the review of the effectiveness of the system of internal audit.

2. ACCOUNTS & AUDIT REGULATIONS

- 2.1 The A&AR 2011 came into force on 31 March 2011 and apply to the 2010/11 financial year. The requirement has changed from "conduct a review of the effectiveness of its **system of internal audit**" to "conduct an annual review of the effectiveness of its **internal audit**".
- 2.2 The only guidance available was from references made in the consultation document that the reference "applies to all aspects of the internal audit function and not just the systems used by internal audit". It is therefore concluded that there is no effective change.

3 SYSTEM OF INTERNAL AUDIT

- 3.1 The system of internal audit is defined as

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

- 3.2 The framework of assurance considers four key elements and the paragraphs below each item describe how the Council has addressed each one:

a. The process by which the control environment and key controls have been identified - the Council's risk management system.

Since 2007 the Council has maintained an electronic risk register via '4risk' software hosted by RSMTenon. The register is accessible to all managers who have the ability to add, amend and delete risk and supporting control and assurance entries across all service areas.

The Council has a risk management strategy. In summary, Managers are required to identify those risks that will hinder their achievement of

the Council's Aims and Objectives. This is done in a structured way against the key activities within the Council's objectives and its service delivery operations. Once a risk has been identified, it is recorded on the risk register and evaluated in terms of likelihood and severity. Controls (if available) to reduce the likelihood or severity of adverse events are identified and recorded and the risk re-evaluated. The evidence available to support the controls is also identified and evaluated.

b. The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers.

Every six months Managers are required to review the controls entered on the register and give a view (the level of assurance) as to how effective those controls are in managing the risk. The manager's view can be either self-assurance or obtained from a third party (internal/external audit or similar review body).

Risks recorded in the register are reviewed by the Internal Audit & Risk Manager and, where applicable, included in the internal audit strategic plan. The inherent/residual risk, controls and level of assurance are considered by internal audit when the risk area is reviewed. The annual audit plan refers to specific risk register entries. At the conclusion of an internal audit review, any changes to entries on the risk register are discussed with the appropriate Manager and if necessary, changes made to the risk register.

c. The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the Corporate Governance Panel and implemented by management.

This Panel considers all external audit reports. It has access via the intranet to all internal audit reports. Reports are submitted twice a year to the Panel by the Internal Audit & Risk Manager that highlight any significant concerns and, where appropriate, management responses. Managers' progress in implementing agreed audit actions is also reported. Performance in this area has fluctuated over the year and is currently below target. The Panel seek assurance, as part of their consideration of the annual governance statement, that controls are operating effectively. This assurance is obtained primarily from the work of internal and external audit.

With the exception of the area of business continuity, no significant control weaknesses have been identified.

d. The operation of the Corporate Governance Panel and the internal audit function to current codes and standards.

The Council established the Corporate Governance Panel in 2004. Its terms of reference were reviewed in 2009. The Panel undertook a self assessment review exercise in September 2011 the results of which are

discussed elsewhere on the agenda. A number of actions to improve effectiveness have been recommended.

The internal audit strategy and its terms of reference were approved by the Panel in June 2010. The Internal Audit & Risk Manager undertook a self-assessment review against the CIPFA Code of Practice for Internal Audit in 2011. The outcome of that review is discussed elsewhere on the agenda. A number of issues were identified for improvement. Panel noted the general effectiveness of the service in meeting the requirements of the Code.

3. RISK REGISTER UPDATE

3.1 In support of paragraphs 2.2 a & b above, Annex A provides details of the Council's current risk assessment matrix together with information in respect of:

- the reduction in risk achieved through the controls managers have in place for both Corporate and Operational risks (*section 1 & 2*);
- the changes made to the risk register since the last report to Panel in March 2011 (*section 3*);
- the assurance levels, as at 31 August, for all "very high" inherent risks (*section 4*); and
- those risks that have not yet had any controls identified against them and the actions being considered to mitigate them (*section 5*).

3.2 The risk management strategy requires the Cabinet to consider each of the very high residual risks to identify whether they should be further mitigated by cost-effective and affordable actions. Cabinet considered four very high residual risks in July 2010 and agreed at that time to accept the current level of residual risk. One additional very high residual risk has been identified and will be reported to Cabinet shortly.

3.3 437 significant controls are recorded in the register as at 31 August, in respect of 151 individual risk entries, covering both corporate and operational risks. The levels of assurance are as follows.

| Total No of Controls | Assurance Level | | | |
|----------------------------|-----------------|----------|---------|------|
| | Substantial | Adequate | Limited | None |
| 437 | 278 | 132 | 25 | 2 |
| | 63% | 30% | 6% | 1% |

Over 98% of the assurances associated with these controls have been updated in the last nine months and 84% within the last six months.

4. ANNUAL INTERNAL AUDIT REPORT

- 4.1 In support of paragraphs 2.2 c & d above, Annex B provides details of the work of the internal audit service in the period ending 31 August, including:
- the delivery of the annual audit plan, audit reports issued and issues of concern (*section 6*);
 - implementation of agreed actions (*section 7*);
 - internal audit's performance (*section 8*).
- 4.2 In accordance with the CIPFA Code of Audit Practice for Internal Audit in the United Kingdom, the Internal Audit & Risk Manager is required to provide an annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. This opinion is based upon the work carried out by Internal Audit during the relevant period (Annex B) and the assurances made available by external assessors and similar providers (Annex C).

Audit Opinion

It is my opinion, that Huntingdonshire District Council's internal control environment and systems of internal control, provide **adequate** assurance over the effective exercise of its functions.

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

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

David Harwood
Audit & Risk Manager

September 2011

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

5. CONCLUSION

- 5.1 The Audit & Risk Manager has reviewed the assurance entries. Like all systems, these only provide a snap-shot in time and do not guarantee that the controls will continue to operate.
- 5.2 The Panel should be satisfied that the system of internal audit process is working as expected and that the process by which assurance has been gained over controls is effective and that evidence is readily available to show that the controls are operating as intended. Where weaknesses have been identified they have been reported to management and in the majority of cases action has already been taken to address the shortfalls.

6. RECOMMENDATION

That the Panel take the information and the Audit and Risk Manager's opinion contained in this report into account when considering the Corporate Governance statement later on the Agenda.

BACKGROUND INFORMATION

The Risk Management Strategy and Register
The Accounts & Audit Regulations 2011
Internal Audit Reports
Internal Audit Performance Management Information

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

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Operational Risks

Inherent Risks before controls August 2011

| | | | | | |
|---|---|---|----|----|---|
| 5 | | 1 | 4 | 6 | 2 |
| 4 | | 7 | 16 | 8 | 2 |
| 3 | 1 | 6 | 32 | 22 | 3 |
| 2 | | 4 | 6 | 2 | 2 |
| 1 | | | | | 1 |
| | 1 | 2 | 3 | 4 | 5 |

Likelihood Impact

Residual risk scores rely on the identified controls working effectively.

CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

Residual Risks after controls August 2011

| | | | | | |
|---|---|----|----|----|----------------|
| 5 | 1 | | | | |
| 4 | 1 | 3 | 7 | | |
| 3 | 2 | 17 | 8 | 3 | |
| 2 | 1 | 23 | 36 | 12 | 3 ^c |
| 1 | | 2 | 4 | 1 | 1 |
| | 1 | 2 | 3 | 4 | 5 |

Likelihood Impact

+ 4

total
125

Total
121

February 2011

| | | | | | |
|---|---|----|----|----|---|
| 5 | 1 | | | | |
| 4 | 2 | 3 | 6 | | |
| 3 | 2 | 16 | 11 | 4 | |
| 2 | 1 | 21 | 32 | 12 | 3 |
| 1 | | 2 | 3 | 1 | 1 |
| | 1 | 2 | 3 | 4 | 5 |

Likelihood Impact

| | Feb 2010 | Aug 2010 | Accepted by Cabinet |
|----------------------------------|----------|----------|---------------------|
| 'Very High' Residual Risks | | | |
| 15 c ICT security is breached | | | July 2010 |
| 58 c Information or data is lost | | | July 2010 |
| 223 c MMI run-off | | | Note d |

Note d There are no controls available to mitigate this risk at the present time but it is intended to submit a report to Cabinet once CGP have considered this report.

Operational

**Summary of Risk Register Amendments
1 March – 31 August 2011**

section 3

| | | |
|--------------------|------------------|------------------|
| | Additions | Deletions |
| Corporate | | 2 |
| Operational | 4 | |

Corporate

| Risk Ref | Risk Title | Deleted | Inherent Risk Priority | Residual Risk Priority |
|-----------------|---|----------------|-------------------------------|-------------------------------|
| 1 | The Council is not accurate in its assessment of the Governments capping criteria resulting in the Council being capped /setting Council Tax at a figure significantly below the capping level resulting in temp or permanent service reductions. | 07/07/11 | Medium | Low |
| 12 | The Council does not deliver against its Corporate Objectives or the National Performance Indicators resulting in adverse external audit and inspection reports and government intervention or restrictions of freedoms. | 26/07/11 | Very High | Medium |

Operational

| Risk Ref | Risk Title | Created | Inherent Risk Priority | Residual Risk Priority |
|-----------------|--|----------------|-------------------------------|-------------------------------|
| 227 | Skills and expertise may be lost following staff and licensing panel member changes, which may result in adverse impacts on the service delivered and licensing decisions made | 09/03/11 | High | Low |
| 228 | Personal search companies claim refund of fees following admission by government that charging for personal searches was incompatible with the Environmental Information Regulations resulting in detrimental effect to Council budget | 09/03/11 | Medium | Medium |
| 229 | Failure to provide, protect and maintain the Council's property portfolio (Corporate buildings specifically Pathfinder House, Castle Hill House, Eastfield House) resulting in an unsuitable working environment and / or possible accident, injury to staff/ visitors | 08/04/11 | Very High | Medium |
| 230 | Financial contributions from partners are not realised leading to a reduced CCTV service or stopping it completely. | 16/08/11 | Very High | Medium |

Assurance Details

section 4

| Corporate Objective | Risk No | Inherent Risk | No of Controls | Residual Risk | Assurance Level | | | | Assurance Provider | | Assurance shortfall | Risk Type | |
|--|---------|---------------|----------------|---------------|-----------------|----------|---------|------|--------------------|-------|---------------------|-----------|-------------|
| | | | | | Substantial | Adequate | Limited | None | Management | Other | | Corporate | Operational |
| | | | | | | | | | | | | | |
| A clean, 'green' and attractive place | | | | | | | | | | | | | |
| Loss of vehicle fleet operating licence | 192 | | 3 | | 3 | | | | 3 | | | | ✓ |
| Council Carbon Management Plan | 205 | | 1 | | 1 | | | | 1 | | | | ✓ |
| Failure to deliver environmental policy/strategy | 30 | | 6 | | | 1 | 4 | 1 | 5 | | a | | ✓ |
| Climate change strategy | 146 | | 2 | | | 1 | 1 | 1 | 1 | | a | | ✓ |
| Developing communities sustainably | | | | | | | | | | | | | |
| Changes to house prices | 52 | | 2 | | | 2 | | | 2 | | a | | ✓ |
| Housing that meets individuals' needs | | | | | | | | | | | | | |
| Increasing Housing Benefit claims | 143 | | 1 | | 1 | | | | | 1 | h | | ✓ |
| Emergency re-housing of expatriates | 149 | | 2 | | | 2 | | | 2 | | | | ✓ |
| Increased homelessness | 148 | | 1 | | | 1 | | | 1 | | a | | ✓ |
| Safe, vibrant and inclusive communities | | | | | | | | | | | | | |
| Reduced CCTV service | 230 | | 2 | | | 2 | | | 2 | | a | | ✓ |
| To improve our systems and practices | | | | | | | | | | | | | |
| ICT security breached | 15 | | 8 | | 6 | 2 | | | 8 | | g | | ✓ |
| Information or data is lost | 58 | | 4 | | | 4 | | | 4 | | g | | ✓ |
| Theft | 140 | | 4 | | 4 | | | | 4 | | g | | ✓ |
| Power loss to main servers | 177 | | 6 | | 4 | 2 | | | 6 | | | | ✓ |
| Breach of Data Protection Act | 217 | | 4 | | 4 | | | | 4 | | c | | ✓ |
| Project management ineffective | 48 | | 3 | | 2 | 1 | | | 3 | | e | | ✓ |
| Unencrypted data is sent externally | 122 | | 4 | | 2 | 2 | | | 4 | | g | | ✓ |
| Increasing insurance premiums | 126 | | 3 | | 1 | 1 | 1 | | 3 | | | | ✓ |
| Ineffective site security | 32 | | 3 | | | 3 | | | 3 | | g | | ✓ |
| Service recovery/business continuity ineffective | 6 | | 4 | | | 4 | | | 4 | | g | | ✓ |

¹ The areas that Panel require specific assurance upon are listed at the end of this section.

Assurance Details

section 4

| Corporate Objective | Risk No | Inherent Risk | No of Controls | Residual Risk | Assurance Level | | | | Assurance Provider | | Area of Panel Assurance ¹ | Assurance shortfall | Risk Type | |
|--|---------|---------------|----------------|---------------|-----------------|----------|---------|------|--------------------|-------|--------------------------------------|---------------------|-----------|-------------|
| | | | | | Substantial | Adequate | Limited | None | Management | Other | | | Corporate | Operational |
| Sensitive HB info e-sent via insecurely means | 191 | | 1 | | 1 | | | | 1 | | | | | ✓ |
| Strict Government Connect rules restrict flexibility | 163 | | 1 | | 1 | | | | 1 | | | | | ✓ |
| Fraud occurs | 75 | | 6 | | 1 | 3 | 1 | 1 | 4 | 1 | g | | | ✓ |
| Assets not properly maintained | 186 | | 3 | | 2 | 2 | 1 | | 3 | | g | | | ✓ |
| Loss of use of admin buildings | 229 | | 3 | | 2 | | 1 | | 3 | | g | | | ✓ |
| Loss of access/structure: Pathfinder House | 145 | | 3 | | 2 | 1 | | | 3 | | g | | | ✓ |
| Partnerships are not effective | 74 | | 3 | | 3 | | | | 3 | | k | | | ✓ |
| To learn and develop | | | | | | | | | | | | | | |
| Reliance on key IT staff | 25 | | 6 | | 4 | 1 | 1 | 1 | 6 | | g | | | ✓ |
| Staff training & development | 2 | | 3 | | 2 | 1 | | | 3 | | | | | ✓ |
| Bailiff contract (Health & Safety) | 31 | | 3 | | 1 | 2 | | | 3 | | | | | ✓ |
| To maintain sound finances | | | | | | | | | | | | | | |
| Investment decisions not appropriate | 47 | | 9 | | 5 | 4 | | | 8 | 1 | d | | | ✓ |
| Failure to achieve financial savings | 130 | | 3 | | 3 | | | | 3 | | d | | | ✓ |
| Budget estimates are inaccurate | 24 | | 5 | | 4 | 1 | | | 5 | | d | | | ✓ |
| Reduced land charges income | 153 | | 1 | | 1 | | | | 1 | | | | | ✓ |
| S106 Agreements are not monitored | 208 | | 3 | | 2 | 1 | | | 3 | | | | | ✓ |

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

Risk Register entries : No Controls

section 5

| Risk Ref | Risk Title | Inherent Risk Priority | Residual Risk Priority | Actions being considered |
|----------------------------------|---|------------------------|------------------------|--|
| Head of Environmental Management | | | | |
| 154 | Lack of skilled/trained staff and funds mean failure to deliver expanding environmental agenda | High | High | Identify skills required & target resource to key environmental areas and projects. |
| 214 | Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave. | Low | Low | Complete regular inspections and maintenance of the existing HDC tree stock to try to reduce potential damage from subsidence. Sufficient consideration to be given to the location and species of new tree planting, ensuring they are at a sufficient distance from existing buildings and infrastructure to reduce subsidence risk. Does any new major project or development which includes landscaping give due consideration to the suitability of trees and shrubs to reduce subsidence risk? Is there a programme in place to identify buildings susceptible to subsidence risk? Is there a schedule of regular maintenance checks to identify any damage? Is preventative work carried out where required? |
| 215 | Warmer summer weather and outdoor lifestyle increases the scope for outdoor activity leading to an increase in tourism and increased opportunity for leisure | Low | Low | Opportunities to promote development in and around the market towns |
| Head of Planning Services | | | | |
| 152 | Economic downturn and the related potential shortfall in anticipated developer activity due to reduced market liquidity and availability of credit undermines the delivery of new homes, new employment opportunities and community facilities. | High | High | None |

Risk Register entries : No Controls

section 5

| | |
|----------------------------|--|
| Head of Financial Services | |
| 223 | <p>MMI Ltd are unable to 'run-off' outstanding liabilities from reserves leading to call on Council to meet funding shortfall.</p> <p style="text-align: center;">Very High</p> <p style="text-align: center;">Very High</p> <p>Audit Manager to discuss need for reserve with HOFs annually, so a decision can be taken as to how to treat the reserve in the accounts.</p> |

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INTERNAL AUDIT SERVICE : ANNUAL AUDIT REPORT

1. Delivery of Audit Plan: August 2010 to July 2011

- 1.1 The internal audit plan, approved by the Director of Commerce & Technology, contained 35 audit reviews. The audit plan is not a static document but is amended to reflect changing circumstances. A number of changes were made during the year. This resulted in five audits being omitted from the plan (car mileage payments [as a result of the budget saving review], contractual review of new accommodation [as a result of the redundancy of the project manager], development control decisions [considered by O&S], corporate governance arrangements and a review of the implementation of the Citrix system). Internal audit staff were involved in a number of fraud related investigations which required substantial time input. All the audits have been issued to draft report stage or further.
- 1.2 The Internal Audit & Risk Manager has had no constraints placed upon him in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

2. Internal Audit Reports issued

- 2.1 A summary of the audit reports issued during the period 1 September 2010 to 31 August 2011 are listed in the table below.

| Audit area | Level of assurance | | | | Agreed action status | | |
|---|--------------------|----------|---------|--------|----------------------|-------|---|
| | Substantial | Adequate | Limited | Little | Red | Amber | The risk identified has been accepted by the Manager ¹ |
| Key Financial Systems | | | | | | | |
| Council Tax | ✓✓ | | | | --- | --- | |
| Housing Benefits | ✓✓ | | | | --- | --- | |
| Payroll | ✓✓ | | | | --- | --- | |
| NNDR | ✓✓ | | | | 0 | 1 | |
| Debtors | | ✓ | | | 0 | 4 | |
| Creditors, incl. e-marketplace | | ✓ | | | 0 | 8 | |
| Loans & Investments | | ✓ | | | 1 | 4 | |
| Main Accounting System | | ✓ | | | 1 | 3 | |
| | | | | | | | |
| Other systems reviews | | | | | | | |
| Budgetary Control & Management Info | ✓✓ | | | | --- | --- | |
| Refuse & Kerbside Waste Collection | ✓✓ | | | | 0 | 2 | |
| Customer Services | ✓✓ | | | | 0 | 2 | |
| Building Control fees | ✓✓ | | | | 0 | 2 | |
| Catering contract : Lancaster's | | ✓ | | | --- | --- | |
| Job Evaluation | | ✓ | | | 0 | 1 | |
| Inspection of Invoices ² | | ✓ | | | 0 | 2 | |
| Electoral Registration | | ✓ | | | 0 | 2 | |
| One Leisure : Bars & Catering | | ✓ | | | 0 | 4 | |
| S106 Agreements | | ✓ | | | 0 | 4 | |
| Planning Application & Dev Control fees | | ✓ | | | 0 | 4 | |
| Staff Travel & Subsistence ² | | ✓ | | | 0 | 4 | |

| Audit area | Level of assurance | | | | Agreed action status | | |
|--|--------------------|----------|---------|--------|----------------------|-------|---|
| | Substantial | Adequate | Limited | Little | Red | Amber | The risk identified has been accepted by the Manager ¹ |
| Gifts & Hospitality & Register of Interests | | ✓ | | | 0 | 4 | |
| Licensing | | ✓ | | | 0 | 9 | |
| Performance Indicators | | ✓ | | | 1 | 0 | 1 red |
| Appointment of Casual & Temp Employees | | ✓ | | | 2 | 2 | |
| Management of Health & Safety | | | ✗ | | 0 | 7 | |
| Management of Car Parks | | | ✗ | | 1 | 6 | |
| Housing – Homeless Families | | | ✗ | | 3 | 6 | |
| Supermarket car park income agreements | | | | ✗✗ | 4 | 1 | |
| Computer Audit | | | | | | | |
| Application Review : Key Financials | | ✓ | | | 0 | 3 | |
| : ResourceLink ² | | ✓ | | | 0 | 3 | |
| : e-marketplace | | ✓ | | | 0 | 4 | |
| Disaster Recovery, Backup & Server Room ² | | ✓ | | | 0 | 4 | |
| Business Continuity Planning ² | | | ✗ | | 2 | 0 | |

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

² Draft report issued as at 31 August 2011.

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

2.2 In addition to the reviews listed above, internal audit have also been involved in a number of other initiatives and reviews. These include reviewing the output from the National Fraud Initiative, managing whistleblowing allegations received, preparing a staff guide on ethics and fraud, considering the effects of the Bribery Act and reviewing voluntary redundancy calculations. Guidance has also been provided on an ad-hoc basis on a wide variety of control and fraud issues.

Business Continuity

2.3 Arising from the work that has been completed in the reporting period, the only issue of concern that I wish to raise is in the area of business continuity planning. The Council has a “Corporate Service Resumption Plan”, which contains much of the detail that would normally be expected within a business continuity plan, however, it has not been updated since June 2008. The findings from the previous audit of this area (September 2008) were acknowledged by management but agreed actions were not implemented citing lack of resource availability. It is my opinion that the lack of an up to date business continuity plan is sufficient to warrant referencing in the annual governance statement.

Issues of Concern from Previous Years

Code of Procurement

- 2.4 Following the highlighting of issues in my 2009 and 2010 annual reports, the Panel requested reassurance from the Directors of Commerce & Technology and Central Services that steps would be taken to improve the level of compliance with the provisions of the Code of Procurement.

A further review of compliance with the Code of Procurement has been completed. A draft report had been issued. Whilst the audit identified a number of breaches of the single tender/quotation procedure, having reviewed these and considered the reasons why the decisions were made, it is my view that these would have been accepted for single pricing by the Director.

I am satisfied that compliance with the Code is improving, notwithstanding the single tender/quotation breaches identified and have indicated to the Managing Director (Resources) that I do not intend to undertake a further review in the current audit plan year.

Data encryption

- 2.5 Following the burglary at Pathfinder House in 2009, internal audit made a number of recommendations to reduce the risk of the loss of personal data from laptops and portable IT devices. Whilst the recommendation was accepted, there were delays to the encryption project with the target implantation date being pushed backwards on a number of occasions. At the current time, over 200 laptops and 120 USB devices have been encrypted. I consider that this addresses the risk that personal data may be compromised if a laptop or data stick is lost or stolen and do not intend to report further on this matter to Panel.

Fraud issues

- 2.6 Whilst internal audit completed a piece of work in 2009 that verified employees on the payroll, no reports are issued to managers to allow them to undertake their own checks. Controlling the accuracy of the payroll to reduce the opportunity for fraud is a key issue. Reports were issued by the HR and Payroll Systems Manager on 31 August to Head of Service listing employees within their service and requesting positive confirmation that the reports are correct. This exercise is to be repeated six monthly.

Issues outstanding from previous years

- 2.7 Audit reviews that have had either an assurance opinion of 'limited' or 'little' in previous years are listed in the table below together with a summary of the progress made towards implementing the agreed actions.

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

| Original level assurance | Agreed Action Status | | Audit area and follow-up findings | 'Potential' level of assurance |
|--------------------------|----------------------|-------|---|--------------------------------|
| | Red | Amber | | |
| <i>Limited</i> | 1 | 0 | Internet Monitoring 2007-08 The red action is outstanding. New monitoring software, which was due to be introduced by March 2011 is unlikely to be introduced until December 2011. The new software should allow the action to be introduced. | ➔ <i>Limited</i> |
| <i>Little</i> | 5 | 4 | Payroll & HR All 9 actions have been introduced. | ↑ <i>Adequate</i> |
| <i>Limited</i> | 0 | 3 | Improvements in Procurement Practice All 3 actions have been introduced. Also refer to para 2.4. | ↑ <i>Adequate</i> |
| <i>Limited</i> | 0 | 4 | Cashable Efficiency Savings NI 179 The 4 actions have been introduced. Information in respect of NI 179 was not required to be reported upon from April 2011. | ----- |
| <i>Limited</i> | 1 | 3 | Service Developed ICT systems The red action has been introduced. The 3 amber actions are outstanding. | ➔ <i>Limited</i> |
| <i>Limited</i> | 1 | 6 | Staff: Work/Life Balance One amber action is outstanding. This deals with the working time directive. | ↑ <i>Adequate</i> |
| <i>Limited</i> | 3 | 13 | Network Infrastructure All the actions have been introduced. | ↑ <i>Adequate</i> |

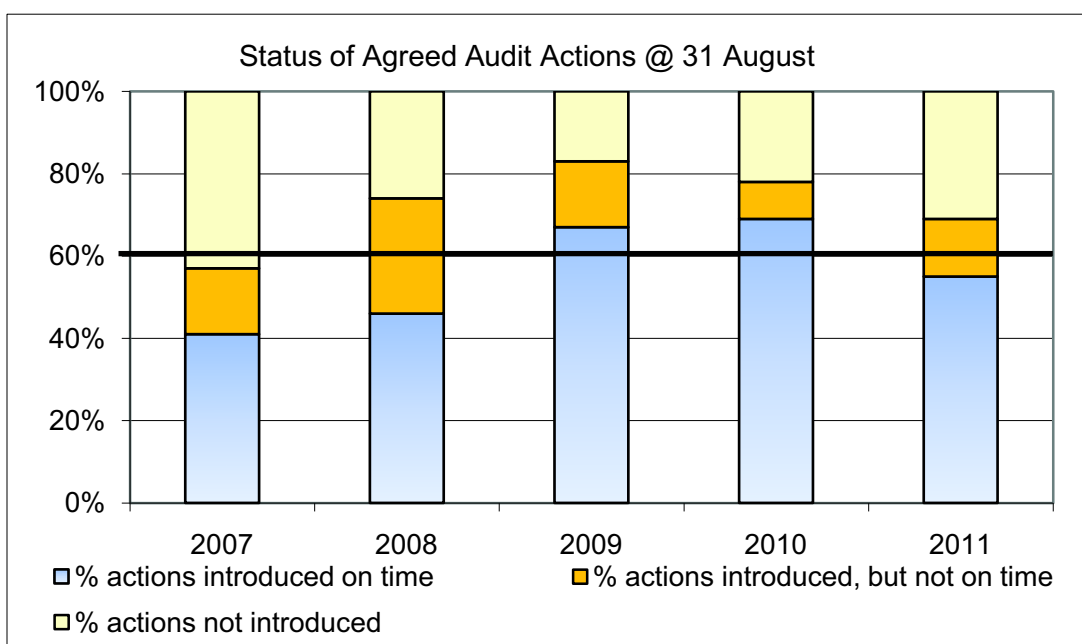
Assurance definitions : for information

| | | |
|------------------------------|----|--|
| <i>Substantial Assurance</i> | ✓✓ | <i>There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.</i> |
| <i>Adequate Assurance</i> | ✓ | <i>There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.</i> |
| <i>Limited Assurance</i> | ✗ | <i>There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.</i> |
| <i>Little Assurance</i> | ✗✗ | <i>There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.</i> |

3. Implementation of Agreed Actions

3.1 Management Team have set a target of 60% of agreed actions should be implemented on time, based on a rolling 12 month approach. The figures for the year ending 31 August 2011 are shown below.

| Status of Action | | | | | | | |
|------------------------------------|--------------------|--------------|-----------------|--------------|----------------|--------------|------------|
| | Introduced on time | | Introduced Late | | Not introduced | | TOTAL |
| Red Action | 8 | | 3 | | 2 | | 13 |
| Amber Action | 58 | | 14 | | 35 | | 107 |
| Total | 66 | | 17 | | 37 | | 120 |
| % age | 55% | | 14% | | 31% | | |
| Head of Service | <i>Red</i> | <i>Amber</i> | <i>Red</i> | <i>Amber</i> | <i>Red</i> | <i>Amber</i> | |
| Financial Services | 1 | 20 | 1 | 2 | 2 | 6 | 32 |
| People, Perf & Partnerships | 3 | 9 | 2 | 2 | | 12 | 28 |
| Info Management Division | 1 | 4 | | 5 | 4 | | 14 |
| Operations | | 5 | | 2 | | 4 | 11 |
| Housing | 3 | 6 | | | | | 9 |
| Law & Democratic Services | | 7 | | 1 | | 1 | 9 |
| General Manager, Leisure | | 3 | | 1 | | 4 | 8 |
| Customer Services | | 4 | | 0 | | 1 | 5 |
| Planning Services | | | | | | 3 | 3 |
| Accommodation Project Co-ordinator | | | | 1 | | | 1 |
| Total | 8 | 58 | 3 | 14 | 2 | 35 | 120 |



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

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

- 3.3 Two 'red' actions have not yet been implemented and are detailed below.

Audit: Supermarket car park income arrangements
 Head of Service: Head of Financial Services

| Action Agreed | Agreed Implementation Date | Head of Service statement re current position |
|--|----------------------------|---|
| <p>The calculation of payments to be made in accordance with the contract.</p> <p>A procedure note explaining how the costs and income are calculated is prepared and reviewed annually.</p> | 28/02/2011 | <p>The investigation of this issue took longer than anticipated.</p> <p>It is not clear whether there were any discussions about the definition of the costs to be included in the financial calculations which were not actually recorded in the written contracts. It was probably not the norm to include full overheads when the agreements were originally signed.</p> <p>We have however come to the conclusion that both agreements do provide an opportunity to argue that additional net expenditure should be brought into the calculation which would benefit the Council.</p> <p>We will be shortly writing to them to agree the basis on which the calculations will be made in the future. This will then be recorded as a procedural note.</p> |
| <p>The Accountancy Manager will endeavour to recover over payments to the supermarkets for previous years.</p> | 31/07/2011 | <p>Following the actions referred to above the Council will make a judgement on the appropriateness and likely success of backdating the arrangements. This must take account of both the service and the financial impact.</p> |

4. Internal Audit Performance

4.1 External audit view of internal audit

Target : Adequate or better
Achieved: No view expressed.

The Council's external auditors, PriceWaterhouseCoopers, have requested sight of a number of internal audit reports on key financial systems to gain an understanding of the internal control framework. As 2010/11 is their first year of appointment, they have undertaken their own tests on key controls within the financial systems and as such have not yet had cause to place any reliance on the work of internal audit for their work.

4.2 Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.
Achieved: 12 months to August 2011 - 94% (from 17 responses)

At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – very good, good, acceptable, requires improvements or unacceptable. Target information is calculated on a rolling twelve month basis rather than by financial year.

The Head of Financial Services has also undertaken his annual customer satisfaction survey with senior managers. The April 2011 figure showed 60% (69% previous year) of managers felt audit provided a good or very good service. No respondent considered the service required improvement or was unacceptable.

4.3 Service delivery targets

Target: 80% or more of service delivery targets achieved.
Achieved: 12 months to August 2011 – 75%

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

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

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

4.4 Service Developments

Delivery of the action plan arising from the review of the internal audit service.

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External Assurance

| Date | Report from | Area covered | Assessment |
|-------------|--------------------------------------|--|--|
| 2010 | | | |
| December | EMCQ Ltd | Customer Service Centre, Call Centre and the Community Information Centres | All four Centres were certified as meeting the Customer Service Excellence Standard (the national standard for excellence in customer service). Certification lasts for 3 years. |
| 2011 | | | |
| April | RoSPA | One Leisure – Huntingdon | ‘Silver’ award for Occupational Health & Safety |
| July | Office of Surveillance Commissioners | Compliance with the Regulation of Investigatory Powers Act 2000. | One recommendation relating to improving recording of information within the Central Record of Authorisation was made, and accepted. The report did not included an overall assessment, but is positive in tone. |

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

1. INTRODUCTION

- 1.1 In September 2008 the Panel undertook a review with the aim of identifying any opportunities for enhancing its effectiveness. A number of areas for improvement were identified and progress on these areas reported to the Panel in September 2009.
- 1.2 It was agreed that the next review would be conducted prior to the approval of the 2011 Corporate Governance Statement.

2. CONDUCT OF THE REVIEW

- 2.1 A set of questions/issues covering the Panel's responsibilities, as determined by its terms of reference, were developed by the Audit & Risk Manager and circulated in advance. They were based upon Cipfa and the National Audit Office good practice documentation supplemented by current best practice within the private sectors.
- 2.2 Whilst the questions individually covered all areas within the terms of reference, Panel were also asked to consider how their responses dealt with the following wider questions.
- a. Does the Panel review the completeness, reliability and integrity of the assurances provided to support the Annual Governance Statement?
 - b. Is the Panel suitably independent and objective, and does each member have a good understanding of the role of the Panel and the objectives, priorities and risks facing the Council?
 - c. Do Panel Members have, or have at their disposal, an appropriate mix of skills to enable it to perform its functions?
 - d. Is the scope of the Panel's work suitably defined and does it encompass all its assurance needs?
 - e. Does the Panel ensure it has effective communication with Council, the Cabinet, the S151 Officer, the Internal Audit & Risk Manager, the External Auditor and other stakeholders?
- 2.3 Four Members of the Panel attended a workshop on 5 September to undertake the effectiveness review. They were supported by the Head of Financial Services, the Audit & Risk Manager and the Policy &

Strategic Services Manager. Also in attendance was Mr C McLaughlin, a Director of PriceWaterhouseCoopers who are the Council's external auditors.

3. OUTCOME OF THE REVIEW

- 3.1 Five new Members, out of a total of seven, were appointed to the Panel in May following the District Elections. Their knowledge and understanding of corporate governance issues differed widely. Consequently there was a good debate and robust discussion on a number of the questions/issues.
- 3.2 The list of questions and the conclusions reached following the review are shown in Annex A.
- 3.3 The Members present, who were all new to the Panel, felt they needed more experience of the working of the panel before they would be able to take a considered view on a number of areas including the items in paragraph 2.2 above. It was agreed that a further workshop be arranged before the March Panel meeting to address the unanswered questions.
- 3.4 However, based upon the information provided by officers and their current knowledge, Members generally felt the Panel was acting effectively and fulfilling its terms of reference. They did identify a number of areas where changes might be beneficial and asked Officers to prepare an action plan (Annex B) to address these issues.
- 3.5 Members felt that a review of Panel effectiveness should be conducted on an annual basis and Annex B includes a proposal for carrying this out.

4. RECOMMENDATIONS

- 4.1 It is recommended that the Panel:
- confirm that Annex A is a fair assessment of its effectiveness;
 - consider and approve the action plan (Annex B);

ACCESS TO INFORMATION ACT 1985

Self assessment review papers

CIPFA publication – Audit Committees: Practical Guidance for Local Authorities

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

Questions considered and conclusions reached

| | Issue | Panel's Response |
|---|--|---|
| | Terms of Reference | |
| 1 | Have the Panel's terms of reference (ToR) been approved by the Council? | Yes – Council established and approved the ToR for the Panel on 21 July 2004. |
| 2 | Are the ToR reviewed annually by the Panel and the Council to ensure they align with good practice? | <p>The Panels ToR were last reviewed by the Democratic Structure Review Group and considered by the Panel in April 2009. Changes to the ToR were approved by Council in June 2009.</p> <p>Panel have reviewed the ToR and consider that there is duplication in items 11 [feedback], 13 [whistleblowing] & parts of 18 ['Raising Concerns at Work' and feedback]. Panel are proposing that item 18 be amended to "monitor the Anti-Fraud & Corruption Strategy and receive annual updates on counter fraud work".</p> <p>In addition they wish to see item 2 : to be more explicit about the Panel's responsibility for risk management 7: be amended to cover all external audit reports 10:"approving the Council Tax base" to be re-considered as a responsibility of the Panel.</p> |
| 3 | Do the ToR follow the CIPFA model? | <p>Yes – The ToR have been compared to the CIPFA model.</p> <p>[The CIPFA model is very specific on internal audit reporting requirements. Custom & practice has been for the Internal Audit & Risk Manager to deliver these requirements in the annual/interim internal audit reports].</p> |
| 4 | Are the Panel content that their responsibilities and the making or endorsing of decisions are appropriate and do not cause any conflict of interests. | To be considered again prior to March 2012 Panel meeting. |
| 5 | Do the terms of reference include oversight of the risk management process? | Yes. |

| | Issue | Panel's Response |
|----|---|---|
| 6 | Is the Panel currently working within its terms of reference? | Yes. All matters that are contained in the ToR are reported to and overseen by it. |
| 7 | Is the Panel satisfied that it has sufficient authority and resources to fulfill its terms of reference and perform its role effectively and independently? | To be considered again prior to March 2012 Panel meeting. |
| | Issue | Panel's Response |
| 8 | Should the ToR allow the Panel to: <ul style="list-style-type: none"> co-opt individuals who would provide specialist skills that members do not have?; procure specialist advice to support them in relation to particular pieces of Panel business? | To be considered again prior to March 2012 Panel meeting. |
| | Risk Management | |
| 9 | Does the Panel review the risk register at least annually? | No. Panel do not receive a full copy of the register. A summary of the inherent and residual risk for both Corporate and Operational risks is presented to the Panel twice yearly. A full .pdf copy of the register, is posted to the risk management intranet pages each month. This item is to be considered again once risk management reports have been received and risk management responsibilities within terms of reference clarified. |
| 10 | Does the Panel monitor how risk is assessed? | Yes. The risk management strategy is approved by the Panel and reviewed annually. |
| 11 | Does a Member of the Panel contribute to the risk management group? | Yes. The Executive Councillor for Resources and Customer Services whose portfolio includes risk and corporate governance is a member of the Panel. |
| 12 | How does the Panel satisfy itself that the risk management ethos is being embedded into all areas of the Council? | To be considered again prior to March 2012 Panel meeting following consideration of terms of reference changes. |
| | Corporate Governance | |
| 13 | Does the Panel have responsibility for review and approval of the corporate governance statement?; and Does it consider the statement separately from the accounts? | Yes – September Yes. |

| | Issue | Panel's Response |
|----|---|--|
| 14 | Does the Panel consider the findings of: the annual review of the effectiveness of the corporate governance arrangements? and; the review of the effectiveness of the system of internal audit? | Yes - September Yes – in September, always prior to considering the governance statement |
| 15 | Have issues that are being raised in the statement been considered by the Panel prior to the statement being presented to them? | Briefly discussed at 5 September meeting. Full copy of background supporting document sent to Panel members. From 2012 onwards. all Panel members will be invited to attend the discussion of the statement before it is formally presented to the Panel. |
| 16 | How do you satisfy yourself that the systems of governance are embedded and have operated effectively throughout the reporting period? | The Audit & Risk Manager presents a half year and annual report that includes his opinion on the internal control environment and systems of internal control. Progress against achieving the action plan agreed from the previous governance statement is also presented to the Panel. The Panel also receive reports, at various times of the year on whistle-blowing and counter fraud, complaints and issues dealt with by the Ombudsman. A member of the Panel also attends the risk management group. All allow for concerns regarding the systems of governance to be highlighted to the Panel. |
| 17 | Does the Panel consider that the system of reporting gives early warning of control failures and emerging risks? | To be considered again prior to March 2012 Panel meeting following consideration of terms of reference changes. |
| 18 | Do you feel that the all Members' of the Council are aware of the Panel, the work that it does and the importance of good governance? | No. The Panel does not promote its own work or highlight the benefits that good governance can bring to the Council. Panel agreed that a written report be presented to Council, timed to support the Annual Governance Statement. |
| | Internal Audit Process | |
| 19 | Does the Panel review the strategic audit approach? | Yes – The Internal Audit Strategy for the period 2010/13 was approved by the Panel in June 2010. |

| | Issue | Panel's Response |
|----|---|---|
| 20 | Does the Panel consider the scope of the internal audit plan and the available resources at its disposal that will allow it to address significant risks with the Council? | Yes – The plan has always been presented to and discussed by the Panel prior to its acceptance by the Managing Director Resources (formerly the Director of Commerce & Technology). The Panel are also invited to make suggestions regarding risk and problem areas that audit could address in the short and long term. Email for 10/11 audit plan sent 18 April 2011. |
| 21 | Is the Panel made aware of the role of risk management in the preparation of the annual audit plan and satisfied that the audit plan is derived from a proper risk assessment? | Yes – the annual plan report contains information in respect of the risk register and its role in strategic and annual planning. |
| 22 | Is the work of internal audit reviewed regularly? | Yes – reports are submitted twice a year, which include information on: delivery of agreed audit plan (including reports completed and assurance provided); implementation of agreed actions; customer feedback; view of external audit; service's own performance targets. |
| 23 | Does the Internal Audit & Risk Manager personally present their annual report to the Panel? | Yes. To the September meeting prior to consideration of the governance statement. |
| 24 | Are the Panel satisfied with the level of information provided to them in support of the annual internal audit opinion? | To be considered again prior to March 2012 Panel meeting. |
| 25 | Are the Panel satisfied that the annual review of the effectiveness of the system of internal audit is conducted thoroughly and the report it receives an accurate reflection of the reviews findings? | A report is submitted by the Managing Director – Resources outlining the work that has been conducted as part of the review – those involved, and if appropriate, an action plan. Views of external audit are also included in the report and external audit attend Panel at which the report is discussed. |
| 26 | How do you satisfy yourself that the Internal Audit & Risk Manager is able to operate freely across all areas of the Council, are not subject to any undue pressure, or attempts to restrict the scope of their work or the access to people and documents? | The Internal Audit & Risk Manager attends all CGP meetings and is able to express his views openly and honestly. He is also able to meet with the Chairman of the Panel to discuss any matters or concerns arising from internal audit work |
| 27 | Are summaries of end of audit quality questionnaires from managers reviewed? | No – information is summarised in the reports that are presented. The Panel consider this is satisfactory as it allows for trends to be identified. The results of the Head of Financial Services annual survey that refer to internal audit are also |

| | Issue | Panel's Response |
|----|--|---|
| | | reported. |
| 28 | Do formal terms of reference exist defining internal audit's responsibilities, objectives, authority and reporting lines? | Yes – The Terms of Reference were approved by the Panel in June 2010. The Internal Audit & Risk Manager reviews this document annually. Minor changes are required to reflect the Accounts & Audit Regulations 2011 and the Cipfa “Statement on the Role of the Head of Internal Audit in Public Sector Organisations”. |
| 29 | Is the Panel aware of any restrictions placed on the work of internal audit and satisfied that the internal auditors operate free of any operating responsibility that could impair their objectivity? | No restrictions apply on the work/coverage of the internal audit service. Terms of reference approved by Panel explain that the Audit & Risk Manager is responsible for the delivery of internal audit, insurance and risk management. Directly employed internal audit staff do not review insurance or risk management related areas. |
| 30 | Is the Panel satisfied that internal audit reports to the appropriate member of the senior management team? | Yes - Internal Audit reports to the Managing Director – Resources (formerly the Director of Commerce & Technology). |
| 31 | Is the Panel satisfied that <ul style="list-style-type: none"> • the work of internal audit is properly planned, completed, supervised and reviewed? • there are adequate quality assurance procedures in place? | Yes – via the annual review of effectiveness and the conclusions of the peer review and external audit. |
| 32 | Is the Panel content that internal audit reports are issued on a timely basis? | Yes – this is one of the performance indicators reported to the Panel by the Internal Audit Manager. |
| 33 | Is the Panel satisfied that the judgements made by the internal auditors are appropriate given the evidence arising from their audit work? | Yes – customer feedback is consistently high, which indicates satisfaction with the approach taken by internal audit regardless of the findings that are being reported. |
| | External Audit Process | |
| 34 | Are reports on the work of <ul style="list-style-type: none"> • external audit • and other inspection agencies presented to the Panel? | Yes. Audit Plan, Internal Control issues (if applicable), Annual Audit Letter, Financial Statement and Value for Money conclusion. Other inspection agencies reports are not routinely referred to the Panel although if they are significant enough to warrant assurance being able to be taken in respect of governance or risk management, they are included in the |

| | Issue | Panel's Response |
|---|--|--|
| | | annual review of the system of internal audit report. |
| 35 | Does the Panel have the opportunity to comment upon the risks that are identified in the external audit plan? | Yes – when it is presented to the Panel. |
| 36 | Does the Panel know what aspects of the Council's operation the external auditors consider to be of high risk; and are these commented upon? | High risk areas are listed in the audit plan which was reported to Panel in March 2011. For 2010/11 the items identified are revenue recognition, fraud, IFRS reporting and property, plant and equipment. There was some discussion about these areas at the Panel effectiveness review meeting. |
| 37 | Is the Panel satisfied that external audit will be addressing these issues? | Yes. The audit letter will make reference to this work and its findings. |
| 38 | How do you know that the work of internal and external audit is properly coordinated? | Panel considered the external auditors response: regular meetings with internal audit, sharing of audit reports and discussion of significant issues of concern, audit planning to avoid duplication of work. |
| 39 | Is the Panel satisfied that the external auditors were not put under any undue pressure to either amend their audit plan or any of their findings? | The external auditors attend every meeting of the Panel and present their own reports. The Panel are satisfied that the external auditors would make whatever comments they felt were necessary if they have been subject to any undue pressure of any kind with regard to the work they have undertaken. The external audit is able to meet privately with the Panel. |
| 40 | Is the Panel aware of any revisions to the external audit plan due to deficiencies in internal control or accounting records? | No revisions have been made. |
| 41 | Is the Panel satisfied that the external auditors have no concerns about management's commitment to an effective control environment or operating style? | Yes. The external auditor made clear that they would report any concerns to the Panel. |
| Financial management is Adequate & Effective | | |
| 42 | Is the Panels role on the consideration and/or approval of the annual accounts clearly defined? | Yes. |
| 43 | Does the Panel review and note the annual accounts before the external auditors start work on them? | Yes. At the June meeting. |

| | Issue | Panel's Response |
|----|---|--|
| 44 | <p>Does the Panel consider, prior to the accounts being approved by the Managing Director (Resources), a range of issues to ensure they feel confident that the accounts have been produced accurately and in compliance with the relevant guidelines, e.g.,</p> <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • that there has been a due process in preparing the accounts and that the process is robust • whether the accounts have been subject to sufficient review by management • changes in accounting treatment • the reasonableness of accounting estimates • the adequacy of notes to the accounts | <p>Officers' guide the Panel through the annual accounts at the June Panel meeting allowing them to question any aspect of the accounts prior to the external audit commencing.</p> <p>The Panel also have the opportunity to raise questions on the accounts when the external auditor reports to the Panel in September on the outcome of his audit.</p> |
| 45 | Does the Panel receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit work? | Yes |
| 46 | Do the Panel feel that they have sufficient understanding of management's procedures for preparing the annual accounts? | Yes. The process is considered to be robust. |
| 47 | Does the Panel have a mechanism to keep it aware of topical legal and regulatory issues, or best practice developments (e.g. through circulars and training)? | It was agreed that a standing item be included on the Panel agenda listing reports expected to be tabled at the next meeting, allowing Panel to decide what, if any, training or information they wished to receive over those report areas. |
| | Complaints Process | |
| 48 | Does the Panel receive information on complaints and seek assurance that systems have been reviewed and/or amended when complaints have been upheld? | Yes – an annual report is submitted, detailing complaints received, service areas, type of complaint. |
| 49 | Does the Panel received information on matters referred to the Ombudsman? | Yes – information is included in the annual complaints report. Financial settlements in excess of £1000 are reported to and approved by the Panel. |

| | Issue | Panel's Response |
|----|---|--|
| | Fraud Awareness | |
| 50 | Does the Panel take a role in overseeing: <ul style="list-style-type: none"> • anti-fraud arrangements?; and • whistle-blowing strategies? | Yes. Panel approved the Anti Fraud & Corruption Strategy. It also receives annual reports that consider amendments to the strategy and whistle-blowing allegations received. |
| 51 | Does the Panel believe that the arrangements that have been introduced for receiving and dealing with whistleblowing are satisfactory? | Yes. |
| 52 | Is the Panel aware of the work being done to counter fraud and assured that sufficient resources are available? | Yes. Reports on this area are presented to the Panel (generally) in December. |
| 53 | Are breaches of the Council's Codes reported to the Panel at the appropriate time? | Yes, via the Audit & Risk Managers reports. The Panel is aware that serious breaches may not be able to be reported until disciplinary or similar investigations have been concluded. |
| 54 | Does the Panel know if a Code of Conduct is distributed to employees? | Yes. |
| | Membership | |
| 55 | Has the membership of the Panel been formally agreed and a quorum set? | Yes, within the Constitution. 7 members of the Council (to include the executive councillors whose portfolios include finance and corporate governance). A minimum of 3 members are required to allow the Panel to meet. |
| 56 | Are Panel members clear as to their role and responsibilities and how they support the Council? | To be considered again prior to March 2012 Panel meeting. |
| 57 | Is the Chairman and Vice-Chairman free of executive or scrutiny functions? | No. The Chairman sits on the Overview & Scrutiny Panel (Economic Well-Being). The Vice-Chairman sits on the Overview & Scrutiny Panel (Environmental Well-Being). This is not considered to be a concern. |
| 58 | Is the Panel satisfied that its membership demonstrates independence?; and that its decisions are not influenced by political considerations? | The Panel feel that the background of the current members and their roles within the Council is conducive to good debate and review of the issues that are presented before it. |
| 59 | Is the Panel satisfied that its members have the necessary skills and experience to do its job? Have all Panel members' skills and experiences been assessed and training given for identified gaps? Is there an induction course for new | There is no induction course for new Panel members. Panel members have a wide range of skills and wish to consider this matter again prior to the March 2012 Panel meeting. |

| | Issue | Panel's Response |
|----|--|---|
| | Panel members? | |
| | Meetings | |
| 60 | Does the Panel meet regularly, and do meetings coincide with key dates in the financial reporting and audit cycle? | Yes – March, June, Sept & December. Four meetings are considered sufficient to consider Panel business. |
| 61 | Are meetings free and open without political influences being displayed? | Yes. |
| 62 | Does the Chairman of the Panel have the right to request private meetings with the external or internal auditor? | There is a unwritten understanding that such meetings would be held if considered necessary. |
| 63 | Do the reports presented to the Panel contain sufficient details to allow decisions to be reached promptly? | Yes. The Panel would challenge Officers if reports were not sufficiently detailed. |
| 64 | Is the Panel satisfied that: <ul style="list-style-type: none"> papers are circulated in good time: and that minutes are received as soon as possible after the meeting? | Yes. Minutes for all meetings are published on the same day that the agenda for the next meeting is published.. |
| 65 | Can the Panel access other committees and/or invite Executive Members or Senior Officers to their meetings to participate in discussions and provide information to them, as and when necessary? | Yes. Panel are able to invite others to attend. |
| 66 | Has the Panel considered how it integrates with other committees that may have responsibility for risk management and internal control? | To be considered again prior to March 2012 Panel meeting. |
| 67 | Is the Panel satisfied that all its recommendations (whether relating to reports received or otherwise) are actioned appropriately? | Yes. |
| 68 | Does the Panel follow up any recommendations for improving its own effectiveness? | Any action plan prepared from this review will be reported to the Panel at six monthly intervals until completed. |
| 69 | Is the Panel satisfied that officers are acting on and monitoring actions taken to implement agreed actions, whether from internal audit, external audit or other reporting bodies? | Information is presented regularly to the Panel on the internal audit actions. Panel are not currently informed of progress made to introduce external audit/other reporting bodies agreed actions. This information will be reported to Panel in future. |
| 70 | Is the Panel content that it has access to proper technical and professional advice when necessary? | Yes. |

| | Issue | Panel's Response |
|----|---|-------------------------|
| 71 | Is the Panel satisfied that, where appropriate, representatives from Service departments attend meetings to introduce and discuss reports and answer questions? | Yes. |
| 72 | Does the Director of Commerce & Technology (S151 Officer) or Head of Financial Services attend all meetings? | Yes. |

Proposed action plan

| Ref | Issue | Panel's Response | Proposed Action | To be Implemented by |
|-----|---|---|---|-----------------------------------|
| 2 | Do the terms of reference follow the CIPFA model? | The Panels ToR were last reviewed by the Democratic Structure Review Group and considered by the Panel in April 2009. Changes to the ToR were approved by Council in June 2009. | <p>Panel have reviewed the ToR and consider that there is duplication in items 11 [feedback], 13 [whistleblowing] & parts of 18 ['Raising Concerns at Work' and feedback]. Panel are proposing that item 18 be amended to "monitor the Anti-Fraud & Corruption Strategy and receive annual updates on counter fraud work".</p> <p>In addition they wish to see item 2 : to be more explicit about the Panel's responsibility for risk management</p> <p>7: be amended to cover all external audit reports</p> <p>10: "approving the Council Tax base" to be re-considered as a responsibility of the Panel.</p> | May 2012 |
| 15 | Have issues that are being raised in the statement been considered by the Panel prior to the statement being presented to them? | Whilst the full statement itself is not considered by the Panel before formal presentation, a number of reports highlighting governance issues are received by the Panel over the course of the preceding year. | From 2012 onwards. all Panel members will be invited to attend the discussion of the statement before it is formally presented to the Panel. | Prior to Sept 2012 Panel meeting. |

| Ref | Issue | Panel's Response | Proposed Action | To be Implemented by |
|-----|--|---|---|--|
| 18 | Do you feel that the all Members' of the Council are aware of the Panel, the work that it does and the importance of good governance? | No. | A written report be presented to Council, timed to support the Annual Governance Statement. | 1 st Council meeting after Sept 2011 Panel. |
| 25 | Are the Panel satisfied that the annual review of the effectiveness of the system of internal audit is conducted thoroughly and the report it receives an accurate reflection of the reviews findings? | Yes – although the Panel felt that a more regular review of their own effectiveness should be completed. | Commencing in 2012, the Chairman of the Panel and full Panel will alternatively undertake the review of effectiveness of the Panel. The 2012 review will be undertaken by the Chairman of the Panel. | August 2012 and annually. |
| 47 | Does the Panel have a mechanism to keep it aware of topical legal and regulatory issues, or best practice developments (e.g. through circulars and training)? | Panel relied upon Officer's to inform them of changes. | A standing item be included on the Panel agenda listing reports expected to be tabled at the next meeting, allowing Panel to decide what, if any, training or information they wished to receive over those report areas. | Sept 2011 |
| 69 | Is the Panel satisfied that officers are acting on and monitoring actions taken to implement agreed actions, whether from internal audit, external audit or other reporting bodies? | Information is presented regularly to the Panel on the internal audit actions. Panel are not currently informed of progress made to introduce external audit/other reporting bodies agreed actions. | Implementation of agreed external audit/other reporting bodies actions will be reported to Panel in future. | Sept 2011 |

As outlined in paragraph 3.3, the following issues will be reconsidered by the Panel prior to the March 2012 Panel meeting.

| | | | | | |
|----|--|----|--|----|---|
| 4 | Are the Panel content that their responsibilities and the making or endorsing of decisions are appropriate and do not cause any conflict of interests. | 7 | Is the Panel satisfied that it has sufficient authority and resources to fulfil its terms of reference and perform its role effectively and independently? | 8 | Should the ToR allow the Panel to: <ul style="list-style-type: none"> co-opt individuals who would provide specialist skills that members do not have?; procure specialist advice to support them in relation to particular pieces of Panel business? |
| 9 | Does the Panel review the risk register at least annually? | 12 | How does the Panel satisfy itself that the risk management ethos is being embedded into all areas of the Council? | 17 | Does the Panel consider that the system of reporting gives early warning of control failures and emerging risks? |
| 24 | Are the Panel satisfied with the level of information provided to them in support of the annual internal audit opinion? | 56 | Are Panel members clear as to their role and responsibilities and how they support the Council? | 59 | Is the Panel satisfied that its members have the necessary skills and experience to do its job? Have all Panel members' skills and experiences been assessed and training given for identified gaps? Is there an induction course for new Panel members? |
| 66 | Has the Panel considered how it integrates with other committees that may have responsibility for risk management and internal control? | | | | |

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REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT SERVICE

(Report by the Managing Director - Resources)

1. Introduction

- 1.1 This report explains why a review of the effectiveness of the internal audit service is required, the outcomes of that review and proposes a procedure for future reviews.

2. Previous arrangements

- 2.1 Reviews of the Internal Audit Service were completed against 'proper practice' in 2007 and 2008. 'Proper practice' is acknowledged to be the 2006 Code of Practice for Internal Audit in Local Government issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code contains 11 Standards (Annex A) that describe the processes that a professional internal audit service should follow and comply with. Compliance with these Standards provides assurance to the Panel that the Audit & Risk Manager's (A&RM) annual report and opinion is based upon sound audit practices and supported by sufficient, evidenced work to allow supportable conclusions and opinions to be formed on individual audit reviews. The annual report is an important source of evidence to the Panel.

- 2.2 By March 2009, the Panel had adopted both an Assurance Framework to support the production of its annual governance statement and had also defined its 'system of internal audit', a term that had been introduced by the Accounts & Audit Regulations (AAR) 2006. In accepting that the 'system of internal audit' required assurance to be obtained from a variety of sources, not just from internal audit and that the 2008 review of the effectiveness of Internal Audit showed that the service was indeed effective, Panel agreed that the next review of Internal Audit against the Cipfa Code should be undertaken in 2011.

3. Undertaking the Review against the Cipfa Code

- 3.1 The Code of Practice contains a 100 point checklist which has been used as the basis for a self-assessment review of the internal audit service by the A&RM. The review was completed in August. Four areas of non compliance have been identified.

| Checklist | Response |
|--|---|
| Obtaining assurance from partnerships (1.2.3) | Discussions have taken place between the A&RM and PPP staff on a number of occasions over the past years and no significant partnerships have been identified. This will be kept under review and considered when necessary. |
| Internal audit free of non-audit duties (2.1.1) | As per the 2007 & 2008 reviews, the non-audit responsibilities of delivering risk management and insurance services are carried out by the Audit and Risk Management Section. There |

| Checklist | Response |
|--|---|
| | are no plans to change this. Audit reviews of these areas are commissioned from the computer audit partner. |
| A&RM managed by a member of the COMT (2.3.1) | Line management is via the Head of Financial Services. A&RM has free access to both Managing Directors. |
| Protocol between internal and external audit (5.6.1) | Grant Thornton did not require a formal protocol to be in place and discussions are underway with PWC as to whether they require such a protocol. |

3.2 Whilst the internal audit service does not fully comply with all aspects of the Code, the areas of non compliance are not considered to be sufficiently serious, either individually or collectively to suggest that the internal audit service is not effective.

3.3 The review has identified a small number of areas where improvements could be made to current working practices. These are listed in Annex B and for completeness, include the issues raised in 3.1 above.

Audit's terms of reference, approved by the Panel in June 2010, require that an external review of the service against the Code should be undertaken every 5 years. It is proposed that such a review is commissioned and considered by the Panel in September 2012. At that time, Panel will be requested to determine the frequency of future reviews.

4. External Audit Opinion

4.1 The Council's external auditors, PriceWaterhouseCoopers, have requested sight of a number of internal audit reports on key financial systems to gain an understanding of the internal control framework. As 2010/11 is their first year of appointment, they have undertaken their own tests on key controls within the financial systems to determine the reliance they can place on the work of internal audit.

5. Recommendations

5.1 It is recommended that the Panel:

- note that the internal audit service is generally effective; and
- note the action plan that has been prepared to address the areas for improvement identified in the self assessment

ACCESS TO INFORMATION ACT 1985

CIPFA Code of Practice for Internal Audit in Local Government 2006
Internal audit self-assessment

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

2006 Code of Practice for Internal Audit in Local Government: Standards

Standard

- 1 **The Scope of Internal Audit** – deals with formal terms of reference, coverage of the internal control environment and the audit's role in relation to preventing fraud and corruption.
- 2 **Independence** – deals with overall operational independence as well as auditors own independence and impartiality.
- 3 **Ethics** – sets minimum standards for the performance and conduct of all internal auditors under the four main principles of integrity, objectivity, competence and confidentiality.
- 4 **Audit Committees** – deals with the relationship between the Audit & Risk Manager and the Audit Committee (i.e. this Panel).
- 5 **Relationships** – sets out the principles of good relationships with management, other internal auditors, external auditors, other regulators and inspectors and elected members.
- 6 **Staffing, Training and Continuous Professional Development** – deals with staff resources, qualifications and training.
- 7 **Audit Strategy and Planning** – deals with the requirement to produce a strategy document and annual audit plan.
- 8 **Undertaking Audit Work** – deals with risk based auditing, the processes to be carried out in individual audit assignments, incl. planning, fieldwork and quality control.
- 9 **Due Professional Care** – deals with auditor competence and diligence, respecting and understanding confidentiality.
- 10 **Reporting** – sets out the principles of reporting on audit assignments, follow-up arrangements and providing an annual opinion on the control environment.
- 11 **Performance, Quality and Effectiveness** – sets out the need for an audit manual and establishing quality and performance measures.

| Code Ref. | Requirement | Non compliance & no change proposed | Areas for Improvement | Date |
|-----------|--|--|--|---|
| 1.1.1 | Do terms of reference (ToR) define the role of Internal Audit in any fraud-related or consultancy work | | The ToR do not refer to consultancy work although reference is included in the audit manual, para 2.8. Whilst current audit resources are such that 'true' consultancy is unlikely to be provided, as against 'systems advice', changes will be made to the ToR. | March 2012 |
| 1.3.2 | Do the terms of reference define Internal Audit's role in fraud and corruption and consultancy work? | | | |
| 1.2.3 | Where services are provided in partnership has the Head of Internal Audit identified how assurance will be sought and agreed access rights where appropriate? | Discussions have taken place between the A&RM and PPP staff on a number of occasions and no partnerships with significant financial implications have been identified. This requirement will be kept under review. | | |
| 1.4.2 | Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety? | | Clear arrangements in Whistleblowing. Proposal that changes are made to the Employees Code of Conduct and the Code of Financial Management to make explicit the notification requirement. | December 2011 |
| 2.1.1 | Is Internal Audit independent of the activities it audits and free from any non-audit (operational) duties? | The A&RM responsibility for insurance and risk management is specifically highlighted in the ToR. No changes are planned so no further action required. | | |
| 2.2.1 | Does the status of Internal Audit allow it to demonstrate independence? | The A&RM is able to render impartial and unbiased judgements on the work performed. This is borne out by individual audit report opinions and the varying overall annual assurance opinions reported by the A&RM, in his own name, to CGP. | It is proposed that the A&RM confirms to the Panel annually, the no constraints have been placed upon the work of internal audit. | September 2011, in annual report and onwards. |

Cipfa Code of Audit Practice
Non Compliance and Areas for Improvement

Annex B

| Code Ref. | Requirement | Non compliance & no change proposed | Areas for Improvement | Date |
|-----------|--|--|---|--------------|
| 2.3.1 | Is the Head of Internal Audit managed by a member of the corporate management team? | Day to day management is via the Head of Financial Services. He reports to Managing Director (Resources). This arrangement is widely known across the Council. The A&RM has access to COMIT. No changes are planned and the A&RM considers that no further action is required. | | |
| 3.3.2 | Are internal auditors perceived as being objective and free from conflicts of interest? | | The A&RM is unaware of any manager being of the opinion that internal auditors are not objective or conflicts of interest has arisen. The end of audit survey will be amended for a 12 month period to see if there is a problem. | October 2011 |
| 5.1.2 | Is there a protocol that defines the working relationship for Internal Audit with management; other internal auditors; external auditors; other regulators and inspectors and elected members? | Chapter 4 of the Audit Manual deals with relationships between internal audit and management, other auditors and review bodies. ToR and Strategy refer to elected members. No specific protocols with external audit. | | |
| 5.6.1 | Does the Head of Internal Audit maintain good working relationships with members? | | To be discussed further with Members of the Panel. | March 2012 |
| 6.2.1 | Has the Head of Internal Audit defined the skills and competencies for each level of auditor? | | A competency framework is in use but needs to be updated to reflect the Cipfa document : 'Excellent Internal Auditor'. | April 2012 |
| 10.3.1 | Has the Head of Internal Audit defined the need for and the form of any follow-up action? | | With the introduction of the SharePoint audit actions system in June 2011, there is the need to amend the follow-up action process within the audit manual, although clarification of the process to be followed has already been issued. | January 2012 |

Cipfa Code of Audit Practice
Non Compliance and Areas for Improvement

Annex B

| Code Ref. | Requirement | Non compliance & no change proposed | Areas for Improvement | Date |
|-----------|---|--|--|----------------|
| 10.3.2 | Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date? | | A&RM informs COMT of performance monthly. Quarterly performance is also reported to COMT by HoS. CGP have also referred to this matter on a number of occasions. A&RM will include more detail in annual and interim reports to CGP. | September 2011 |
| 11.1.1 | Is there an audit manual? | | Electronic version. It needs to be reviewed and updated to take account of current procedures and recent initiatives. | March 2012 |
| 11.3.5 | Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit? | Yes – this report deals with this requirement. However in March 2009 CGP agreed that the next review of the effectiveness of the internal audit service should be completed in 2011 when the next review of the effectiveness of the CGP itself was planned. Internal Audit ToR require that an external quality assurance review of the internal audit service be undertaken at least every five years, commencing March 2011. Due to the reduction in internal audit staff resources in 2010 and the introduction of lean and continuous auditing this review was deferred to allow the new approaches to settle down. | It is proposed that the external quality assurance review be undertaken so that its results can be considered by the Panel in their consideration of the 2012 Corp Gov Statement. | August 2012 |

**GOVERNANCE STATEMENT
(Report by the Head of Legal & Democratic Services)**

1. INTRODUCTION

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

2. CODE OF GOVERNANCE

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

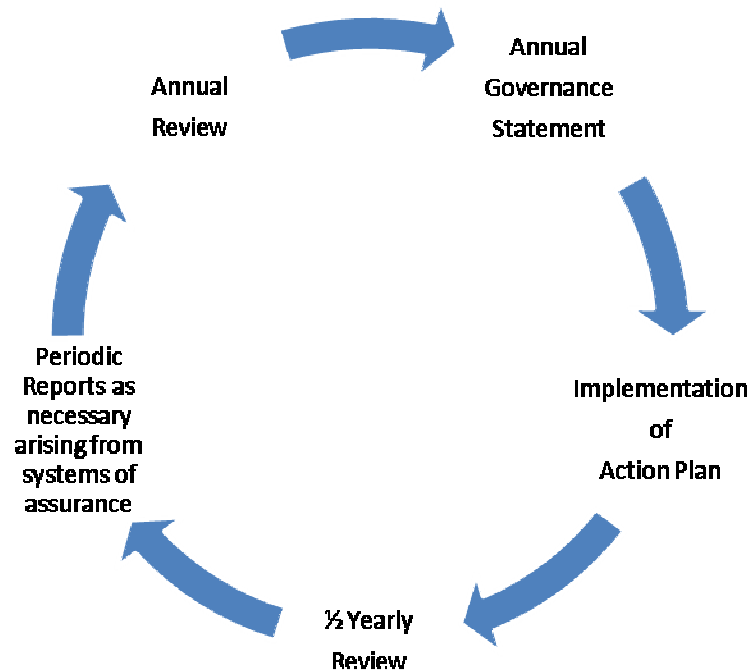
- 2.2 In response to this, the Council has adopted a Code of Governance which sets out and describes the way in which it carries out its functions and complies with the principles of openness, integrity and accountability. These principles apply to elected Members and employees alike and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence in what we do as an organisation. The Code is consistent with the framework "Good Governance in Local Government" published by CIPFA/SOLACE and a copy is available at [Huntingdonshire District Council - Code of Corporate Governance](#) or on request from the Policy & Performance Manager.

3. ASSURANCE FRAMEWORK

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

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

- 3.2 This cycle reflects good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and helps to ensure accountability and transparency for local people and other stakeholders, such as the Council's external auditors and Government Inspectors. It is shown graphically in the diagram below —



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

4. ANNUAL REVIEW AND GOVERNANCE STATEMENT

4.1 In accordance with the adopted local Code of governance, the assurance framework and current good practice, each year the Council carries out a review of governance arrangements. The purpose of the review is to conclude and re-start the cycle of review in accordance with the assurance framework – specifically to assess that governance arrangements are adequate and operating effectively and to identify action which is needed to ensure continuous improvement in effective governance.

4.2 The review comprises an analysis of the practical application of the core principles, supporting principles and specific requirements set out in the Council’s Code of Governance. This analysis reflects the work of managers responsible for the implementation of the Governance Code/framework (a full copy of the code is available upon request). In addition, all members of the Corporate Governance Panel, together with the Executive Councillors with responsibility for financial and non-financial governance and a representative from our external auditors, have been given an opportunity to take part in and contribute towards that annual review

4.3 The review is also informed by internal reporting such as the Audit Manager’s Annual Report; comments made by external auditors and/or other inspectorates & relevant service managers. It incorporates an assessment of action taken to address issues identified in the last Governance Statement.

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

5. CONCLUSIONS

- 5.1 The Governance Statement for 2011 reviews the Council’s governance arrangements and their exercise during the preceding year. It details specific issues which were addressed and identifies other for future consideration. The Statement is an essential element in assuring proper governance practices in the conduct of the Council’s business, in safeguarding the use of resources and in engendering confidence in the accountability and integrity of the Council on the part of local residents and other stakeholders.
- 5.2 Following a review of the effectiveness of the system of internal audit, the system is considered to be effective and there are no significant omissions in the processes that have been introduced

6. RECOMMENDATION

- 6.1 The Panel is recommended to note the outcomes of governance arrangements; and
- 6.2 Endorse the Governance Statement for 2011 and to authorise the Chairman to countersign it.

BACKGROUND INFORMATION

The Council’s Code of Corporate Governance
Review of the code, August 2011 – available from the Policy & Performance Manager
System of Internal Audit
The Governance Statement, September 2011
The CIPFA/SOLACE framework “Good Governance in Local Government 2007”
The CIPFA Finance Advisory Network Annual Governance Statement – Rough Guide

Contact Officer: Howard Thackray, Policy & Performance Manager
☎ (01480) 388035

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HUNTINGDONSHIRE DISTRICT COUNCIL

GOVERNANCE STATEMENT

Huntingdonshire District Council is responsible for ensuring that –

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

In carrying out these duties, Members and employees are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at: [Huntingdonshire District Council - Code of Corporate Governance](#). Hard copies are available on request from the Policy & Performance Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies to elected Members and employees alike, and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence.

The Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

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

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

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2011 and up to and including the date of approval of the statement of accounts.

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

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

In turn the Council's Head of Legal, Democratic Services and Monitoring Officer has been given responsibility for –

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

The Council's Chief Financial Officer is responsible for the authority's financial management arrangements and in line with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

1. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website at http://www.huntingdonshire.gov.uk/sustainable_community_strategy

The Strategy was reviewed and re-adopted by the Council in September 2008. In addition the Council has recently reviewed "Growing Success" the Council's

corporate plan and identified priority objectives over the next 1 to 2 years. A further, more comprehensive review will be undertaken in due course.

In turn, both “Growing Our Communities” and “Growing Success” are supported by a series of Plans and policies to achieve the vision and aims for Huntingdonshire. These Plans, including the performance management framework are currently being reviewed and this has been identified as a governance issue to address over the next 12 months.

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

2. Roles & responsibilities

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

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements. Changes brought about by the Senior Management Structure reorganisation will require the Scheme of Delegation to be reviewed. This is noted in Section 4.

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

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

- a new look to Council meetings with headline debates, Cabinet 'white paper' proposals, monitoring of LAA performance, public question time and evening meetings;
- The Council moved to the Executive Leader model at the start of the 2011/12 Municipal Year;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;
- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IDeA Member Development Charter to enhance support for elected councillors.
- A review of the changes to the Council's democratic structure, which had been in place since May 2009 was undertaken in September 2010. This concluded that there should be no change to the democratic structure approved following the 2009 review but that the Working Party be retained to report on an ad hoc basis on legislative and other changes in the future that might impact on the Council's democratic structure.

Cabinet

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

The Cabinet has six Members including the Executive Leader and Deputy Executive Leader. The description of the Deputy Executive Leader's role has changed. He now has his own portfolio of responsibilities. The Council has recently been awarded the IDeA Member Development Charter.

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

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

Overview & Scrutiny Panels

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

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

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

An annual report of the activities of the Overview & Scrutiny Panels for 2010/11 was completed and approved by the Panels in July. It has been publicised in the Council's website and sent to interested parties

Corporate Governance Panel

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

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

3. Codes of conduct defining standards of behaviour

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

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

A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. One complaint about standards of behaviour has been received and dealt with during the reporting period.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were approved by the Council in December 2010 to come into effect in May 2011. A further review by the Independent Remuneration Panel is therefore not required until 2014.

During the year, £404,000 was paid as allowances to 52 Members, the basic allowance being £4,459 per annum. In addition Members can claim a limited range of travel and sundry expenses. This amounted to £22074.24 in the year. Total allowances include these other expenses.

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at rates ranging between 10p & 17p per mile. In total £9700 of expenses were reimbursed.

4. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and employees, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities. Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy. Because of changes to the Senior Management Structure of the Council and the programme of early retirement/voluntary redundancy in the spring/summer 2011, the Senior Management Team agreed to defer the undertaking of the biennial review in March. This is now due to commence in Autumn 2011.

5. Capacity and Capability

Members

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

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

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

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

Employees

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal

training and development plan is agreed. In addition corporate training programs such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

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

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk. The Strategy for 2011/12 was approved by the Council in February 2011.

Risks associated with investments

The risk is managed by:

High credit quality:

- Investing in institutions with a high credit quality which takes into account factors in addition to credit ratings including credit default swap prices
- Specifying the minimum credit rating of the counterparty in the value of the investment according to the size even though many do not have a credit rating because the regulatory framework means that deposits from local authorities would be paid before retail deposits
- Reacting immediately to any changes to credit ratings which often results in the counterparty being removed from the approved list

Spreading the risk

- Spreading the investments by counterparty taking into account where institutions are linked to the same group
- By having country limits
- By imposing limits for non-specified investments (time deposits of more than one year and corporate bonds)

Duration of investments

- A maximum duration of 5 years

Additional Restrictions

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

- Even if borrowing rates appear to be particularly good value compared with current and expected trends, any additional forward borrowing to finance the Council's MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.
- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.

7. Internal Audit

Internal audit work is undertaken in accordance with the CIPFA Code of Audit Practice. The Managing Director (Resources) is the Council's Chief Financial Officer and is responsible for ensuring the Council has adequate internal audit arrangements. A risk-based strategic plan detailing the risks and activities of the Council is prepared, from which the annual audit plan is drawn. Written reports are prepared for all audits: these include an opinion on the degree of risk perceived and the assurance that can be obtained from the system. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

Business continuity arrangements have been identified as an area of concern. Whilst action has already been taken further work is required and consequently, business continuity has been identified as a governance issue that requires to be addressed over the next 12 months.

In respect of the 12 month period ending 31st August 2011, the opinion expressed was that the "Council's internal control environment and systems of internal control provide adequate assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, the controls operated by management are currently adequate".

8. Whistleblowing and Benefit Fraud

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

A dedicated Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into

fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Council Anti-Fraud and Corruption Strategy is reviewed annually by the Corporate Governance Panel. Amendments to the Strategy to take account of the Bribery Act 2010 were made in December 2010. In addition the Employees' Code of Conduct has been amended to reflect these changes

The Council participate in the National Fraud Initiative and work is underway on reviewing data matches released by the Audit Commission in January 2011

9. Complaints Procedure

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

The revised procedure has been in place for approximately two years. In that period the number of complaints that the Council receives has fluctuated but complainants now tend to pursue their complaints further through the process. There is no suggestion that there are more service failures, as the number of complaints examined by the Ombudsman which have lead to a local settlement remains negligible and no findings of maladministration have been found. There are, nevertheless, demands on senior managers to respond to complaints. For this reason the procedure is again being reviewed. It is intended that the review will reduce the burden on Chief Officers of investigating complaints.

10. RIPA and FOI

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

The latest inspection report for August 2011 observes that the Council is not 'a significant user of RIPA but it is evident that they are keen to discharge their legal responsibilities.'

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed and updated on a quarterly basis. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in December 2010. The risk register is used to inform the

internal audit plan and the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel.

12. Assurance Framework

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

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

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

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively.

13. Assurance

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

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;
- the risk register and assurance on the operation of key controls;
- A review of the Council's priorities in February 2011. The Council's performance management framework is currently being revised and refreshed to reflect changing priorities.
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;

- arrangements which have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2009/10 Audit and Inspection Letter from the Audit Commission;

14. Governance of Partnerships

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

15. Annual Audit Letter: (November 2010)

The Annual Audit Letter for 2009/10, received in November 2010, provides a summary of our external Auditors (Grant Thornton) assessment of the Council following their 2010 audit.

The key findings of this letter for the Council to address in 2010/11 being;

The Council has identified the need to make a minimum of £6.4 m savings over the four year period to 2014/15; however, it is estimated this requirement could rise to £10m unless the new homes reward grant is significant. Whatever the results major levels of savings are required. This will be a major challenge and critical to it achieving this will be the strength of its strategic financial planning arrangements and the deliverability of its savings plans. The Council will need to consider the service it delivers and how it delivers them and where savings and changes can be made whilst minimising the impact on the standard of service delivery

As part of its savings plans, the Council is planning to reorganise its management structures. The Council has a voluntary redundancy scheme in place and the Chief Executives application has been recommended by the Employees Selection Panel and considered by Cabinet, and is shortly to be considered by Council. Given the financial challenges facing the Council it is critical the Council acts quickly to ensure there are effective and strong leadership arrangements in place to lead the Council through the delivery of its savings plans over the fourth coming months and years.

The Annual Audit Letter can be found on the Councils Web site:
http://www.huntingdonshire.gov.uk/SiteCollectionDocuments/HDCCMS/Documents/Finance/hdc_annual_audit_letter_2009-10.pdf

16. Governance Issues Previously Identified

- Identifying budget savings in order to balance the budget, as identified in the Financial Forecast report which considers the Council position until 2024/2025.
 - The budget approved by members in February identified the savings required for 2011/12 and a significant proportion of those required for later years. It also showed the amount still to be identified. Debate will continue on the savings for 2012/13 onwards with the intention of identifying even more of the future savings required by the time the 2012/13 budget and MTP is approved in February 2012.
- Complaints – Number of complaints and time taken to resolve
 - The introduction of an IT system in February 2011 has enabled the monitoring of complaints within the timescales specified in the Feedback Procedure (acknowledgement within 5 working days and response within 20 working days). In the period since 11th February 2011, the Council received 32 complaints. Responses were not provided within the published timescales in two of these cases; however, the correct procedure was followed in both of them with the complainants being informed when they could expect a response. Obviously some complaints have not yet received a response as they are still live in that the deadline to respond has not yet been reached. The number of complaints now seems to have stabilized. In the last three years we have received 52, 67 and 58 complaints respectively. These figures were reported to the Corporate Governance Panel in June.
- The continued need to ensure that the code of Procurement is fully complied with.
 - The Procurement Manager delivers training on a monthly basis covering compliance and best practice as part of an ongoing programme. Extensive guidance is available to officers on the intranet (procurement homepage). Ad-hoc advice is provided to a wide range of projects and specific support to identified high spend or complex projects.
- Preparing for any new inspection regime.
 - As yet the Government have not identified a new inspection regime & senior officers will be reviewing this and inspection arrangements to put in place.

17. Governance Issues

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

- Review of the Councils Corporate Plan
- Review of the Councils Performance Management Framework
- Review of the Constitution and Scheme of Delegation
- Adequacy of Business Continuity arrangements

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

Signed:

Jason Ablewhite
Executive Leader of the Council

Signed:

Managing Director – Resources

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

Signed: Date:

Councillor Eric Butler
Chairman of the District Council's Corporate Governance Panel

Pathfinder House
St Mary's Street
HUNTINGDON
Cambridgeshire
PE29 3TN
September, 2011

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**LOCAL GOVERNMENT OMBUDSMAN –
LOCAL SETTLEMENT OF COMPLAINT
(Report by the Head of Legal and Democratic Services)**

1. INTRODUCTION

- 1.1 Under the Council's Scheme of Delegation, the Head of Paid Service, after consultation with the Chairman of the Corporate Governance Panel, has the authority to settle locally complaints to the Local Government Ombudsman and to offer compensation of up to a maximum of £1,000. The delegation requires the submission of a report to the next ensuing meeting of the Corporate Governance Panel advising Members of the action taken.
- 1.2 The Ombudsman has recommended the local settlement of a complaint. Details of the case are set out below for the Panel's information.

2. THE COMPLAINT

- 2.1 Two complainants contacted the Ombudsman to complain that the Council had unreasonably placed homeless applicants in chalet accommodation adjacent to their properties, in breach of planning conditions imposed on the permissions for the chalets. They also complained that the Council allowed a number of homeless families to stay in that accommodation for more than four weeks and failed to take action on noise and anti-social behaviour from residents of the chalets.
- 2.3 The Ombudsman investigated the complaint. Although the complaint was not upheld in its entirety, the Ombudsman commented that the Council delayed seeking legal advice about whether placing homeless people in the chalet accommodation was in breach of the planning conditions. This delay led to the complainant having to go to time and trouble to chase what was happening and resulted in him having to submit a complaint. The Ombudsman also commented that the Council should have identified the need to follow-up on the concerns, which had been expressed to it about antisocial behaviour from residents of the chalets. The Council has informed the Ombudsman that the information it had received was not of a type that would normally be referred to either environmental health or the Community Safety Partnership. The Ombudsman, nevertheless, remained of the opinion that the Council should have referred the complaint on. The Council has since established clear criteria for passing information of this type between departments.

3. THE SETTLEMENT

- 3.1 Taking into account the facts that antisocial behaviour problems had been reported on a fairly limited amount of occasions and that the Council was entitled to take a view in relation to the breach of

conditions, the Ombudsman has recommended that the Council pays complainant A £250 compensation, plus £100 for his time and trouble in submitting the complaints to the Council and chasing it for responses. It is also recommended that £250 compensation is paid to complainant B to reflect their distress that their concerns were not being listened to. It is further recommended that the Council provide diary sheets to the complainants so that they are able to record any future instances of antisocial behaviour and advise them whom they should contact in either environmental health or the Community Safety Partnership.

- 3.2 The Ombudsman deemed this outcome to be a reasonable settlement and one which would obviate the need for further investigation on his part. The Council has accepted this recommendation on the specified terms. This case will be included in the figures published by the Ombudsman for the year ending 31st March 2012. It will be categorised as a local settlement.
- 3.3 The Chairman of the Panel has agreed to the recommended payments and they have been made to the complainants.

4. CONCLUSION AND RECOMMENDATION

- 4.1 This case has been particularly complex involving conflicting Council responsibilities. It has been settled in accordance with the authority delegated to the Head of Paid Service, after consultation with the Chairman of the Panel. Under the circumstances, it is

RECOMMENDED

that the Panel note the action taken to settle this complaint in accordance with the Council's Scheme of Delegation.

BACKGROUND PAPERS

File POL/18 held in the office of the Head of Legal and Democratic Services.

Contact Officer: Tony Roberts
Scrutiny and Review Manager
(01480) 388015

**TRAINING OF PANEL MEMBERS
(Report by the Head of Financial Services)**

1. TRAINING NEED

- 1.1 The Panel has seven members, two were new to the Council in May and another three were new to the Panel.
- 1.2 At the Workshop on the Review of the Effectiveness of the Panel held on the 5 September Members highlighted that they felt they would need additional training on certain elements of the Panel's work.

2. WORK PROGRAMME

- 2.1 Annex A shows the anticipated work programme for the Panel for the next year. It covers a wide range of issues and some of them are very technical. Panel training needs to provide sufficient understanding to allow the Panel to ensure that adequate processes are in place and working effectively.
- 2.3 It is proposed that at each Panel meeting, members will consider the work programme and decide what training they would like ready for the items expected to be on the next or future agendas. Normally this might be for 30-45 minutes immediately prior to the formal meeting but there may be occasions when a separate longer session would be more appropriate.
- 2.4 Training can be provided by appropriate officers, external audit or external trainers (subject to budgetary constraints).

4. RECOMMENDATION

- 4.1 It is recommended that Panel:
- Consider the work programme at Annex A and determine the training to be provided prior to the December meeting.
 - Receive an updated programme at each meeting in order to consider the need for further training.

BACKGROUND INFORMATION

None

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

Anticipated Work Programme

December 2011

- Housing Benefit fraud investigation activity
- Whistleblowing : policy review & investigations
- National Fraud Initiative
- Review of the anti-fraud & corruption strategy
- Review of the risk management strategy
- Calculation of council tax base

March 2012

- Code of corporate governance
- Internal audit interim progress report
- Risk management
- Progress on annual governance statement
- Review of Council constitution
 - Code of financial management
 - Code of procurement
- External audit
 - Audit plan
 - Grant claims

June 2012

- Draft statement of accounts
- Internal audit plan
- Review of the internal audit service
- Feedback – annual report
- Delivery of the anti-fraud & corruption framework

September 2012

- Annual governance statement
- Review of the effectiveness of the system of internal audit
- Annual internal audit report
- Effectiveness of the Panel
- Risk management
- Approval of the statement of accounts
- External audit – annual audit and inspection letter

In addition to the items listed above, reports may be submitted on an ad-hoc basis on:

- Awards of compensation
- Ombudsman reviews
- Accounting policies
- Internal Audit - Terms of reference and strategy
- Employee's code of conduct
- Money laundering and bribery