

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **CIVIC SUITE 0.1A, GROUND FLOOR, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 12 DECEMBER 2012** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 10)

To approve as a correct record the Minutes of the meeting of the Panel held on 25th September 2012.

**Miss H Ali
388006**

2. MEMBERS' INTERESTS

To receive from Members declarations as to disclosable pecuniary, non-disclosable pecuniary or non-pecuniary interests in relation to any Agenda item. See Notes below.

3. CORPORATE BUSINESS CONTINUITY PLANNING (2012 ANNUAL REPORT) (Pages 11 - 18)

To receive a report from the Head of Information Management providing an update on progress made in planning for Corporate Business Continuity.

**C Hall
388116**

4. REVIEW OF EMPLOYEE CONSULTATION AND INFORMATION ARRANGEMENTS AT HDC (Pages 19 - 34)

To consider the outcome of a review of the existing Information and Consultation arrangements with employees and proposals for future practice.

**Mrs J Maulder
(01223) 699495**

5. FRAUD INVESTIGATION (Pages 35 - 40)

To receive a report by the Head of Customer Services summarising the activity of the Council's Fraud Team, the current threat of fraud and a proposal to provide responses to threats following the introduction of a Single Fraud Investigation Service.

**Mrs J Barber / N
Jennings
388105 / 388480**

6. REVIEW OF HOUSING BENEFIT FRAUD INVESTIGATION ACTIVITY & THE COUNCIL'S WHISTLEBLOWING POLICY (Pages 41 - 46)

To consider a joint report by the Head of Customer Services and the Audit and Risk Manager summarising the activity of the Benefit Fraud Investigation Team over the 2011/12 financial year and to note the outcome of the annual review on whistleblowing.

**Mrs J Barber / N
Jennings
388105 / 388480**

7. **FINAL AUDITORS REPORTS - FINAL ACCOUNTS 2011/12**
(Pages 47 - 88)
- To receive a report from the Head of Financial Services on the final accounts 2011/12. **S Couper / C Mason
388103 / 388157**
8. **AUDITOR'S ANNUAL AUDIT LETTERS - 2010/11 AND 2011/12**
(Pages 89 - 108)
- To receive a report from the Head of Financial Services on the Annual Audit and Inspection Letters for 2010/11 and 2011/12. **S Couper
388103**
9. **ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY**
(Pages 109 - 128)
- To receive a report from the Audit and Risk Manager on the review of the Risk Management Strategy. **D Harwood
388115**
10. **PROVIDING ASSURANCE FOR THE ANNUAL GOVERNANCE STATEMENT** (Pages 129 - 134)
- To receive a report from the Audit and Risk Manager on assurance for the Annual Governance Statement. **D Harwood
388115**
11. **INTERNAL AUDIT SERVICE: INTERNAL AUDIT PLANNING**
(Pages 135 - 138)
- To consider a report by the Audit and Risk Manager regarding the Internal Audit Plan, including the Internal Audit Computer Plan for the period ending March 2014. **D Harwood
388115**
12. **TRAINING OF PANEL MEMBERS** (Pages 139 - 140)
- To consider a report by the Audit and Risk Manager on training opportunities for Panel Members. **D Harwood
388115**

Dated this 4 day of December
2012



Head of Paid Service

Notes

A. Disclosable Pecuniary Interests

- (1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*
- (2) *A Member has a disclosable pecuniary interest if it*
- (a) relates to you, or*

(b) is an interest of -

- (i) your spouse or civil partner; or*
- (ii) a person with whom you are living as husband and wife; or*
- (iii) a person with whom you are living as if you were civil partners*

and you are aware that the other person has the interest.

(3) Disclosable pecuniary interests includes -

- (a) any employment or profession carried out for profit or gain;*
- (b) any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);*
- (c) any current contracts with the Council;*
- (d) any beneficial interest in land/property within the Council's area;*
- (e) any licence for a month or longer to occupy land in the Council's area;*
- (f) any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or*
- (g) a beneficial interest (above the specified level) in the shares of anybody which has a place of business or land in the Council's area.*

B. Other Interests

(4) If a Member has a non-disclosable pecuniary interest or a non-pecuniary interest then you are required to declare that interest, but may remain to discuss and vote.

(5) A Member has a non-disclosable pecuniary interest or a non-pecuniary interest where -

- (a) a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or*
- (b) it relates to or is likely to affect any of the descriptions referred to above, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association*

and that interest is not a disclosable pecuniary 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](http://www.huntingdonshire.gov.uk) (under Councils and Democracy).

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

Emergency Procedure

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

Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, Cambs, PE29 3TN on Tuesday, 25 September 2012.

PRESENT: Councillor E R Butler – Chairman.
Councillors M G Baker, K J Churchill,
G J Harlock and R J West.

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

16. MINUTES

The Minutes of the meeting of the Panel held on 26th June 2012 were approved as a correct record and signed by the Chairman.

17. MEMBERS' INTERESTS

No declarations were received.

18. ANNUAL REPORT ON THE FREEDOM OF INFORMATION ACT, ENVIRONMENTAL INFORMATION REGULATIONS AND DATA PROTECTION ACT

With the aid of a joint report by the Heads of Information Management and Legal and Democratic Services (a copy of which is appended in the Minute Book) the Panel received a report on the number of requests received by the Council under the Freedom of Information Act, Environmental Information Regulations and Data Protection Act.

Following a request made by Councillor K J Churchill it was agreed that future reports would include the previous year's statistics for comparative purposes.

Referring to the publication deadline set by the Coalition Government's Data Transparency Report in relation to the publication of any items of expenditure over the sum of £500, Councillor G J Harlock queried whether the date of the end of July 2012 had been met by the Council. In so doing, the Corporate Systems and Information Manager confirmed that the deadline had been achieved.

Following a question raised by Councillor M G Baker querying the cost to the Council for complying with these legislative requirements, it was reported that reference was made within the report to the number of hours spent by Officers in dealing with such requests.

RESOLVED

that the contents of the report now submitted be noted.

19. AUDITORS REPORT - FINAL ACCOUNTS 2010/11

(Mr C Everest and Ms H Clark, PricewaterhouseCoopers LLP were in attendance for consideration of this item).

With the aid of a report by the Head of Financial Services (a copy of which is appended in the Minute Book) the Panel received and noted a report by the external auditors outlining the findings of their audit of the Council's 2010/11 final accounts. Whereupon, it was

RESOLVED

that the content of the ISA 260 report for 2010/11 now submitted be noted.

20. INTERNAL AUDIT SERVICE: ANNUAL REPORT FOR THE YEAR ENDING 31ST AUGUST 2012

(At 6:50pm, during discussion on this item, Councillor M G Baker left the meeting.)

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was advised of the requirement under the 2006 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government to provide an annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

The Audit and Risk Manager outlined his view that the Council had put in place adequate controls to manage identified risks to its objectives and the risks inherent in undertaking its work.

Having had their attention drawn to the implementation of agreed audit actions, Members have expressed their disappointment that only 48% of actions had been introduced on time. Furthermore, the view was expressed that the target of 60% was very modest and that consideration should be given to introducing a more challenging target. Having queried the reasons why actions were not being introduced on time, the Audit and Risk Manager explained that responsibility for these actions were outside of his direct control and lied overall with service managers. Owing to their concerns, the Panel agreed that their comments should be relayed to the Executive Councillor for Resources.

The Panel expressed some surprise over the wording used by the external auditors in their comment on internal audit, namely "no negative view expressed". Having queried this with the Council's external auditors, Mr C Everest confirmed that it was not their role to express a view on the Council's internal audit service and whilst they had regard to the work of the Internal Audit Service generally, this was to gain an understanding of the key controls in place for the Council's financial accounts and to undertake detailed testing of its controls and systems. Whereupon, it was

RESOLVED

- (a) that the content of the report be noted and the opinion of the Audit and Risk Manager taken into account in the consideration of the Governance Statement under Minute No. 25 post; and
- (b) that the Panel's concerns in respect of the implementation of agreed audit actions and the respective target be relayed to the Executive Councillor for Resources for review.

21. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT SERVICE

Consideration was given to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) detailing the outcome of a review of the effectiveness of the Internal Audit Service as required by the Accounts and Audit Regulations 2011.

A request was made by Councillor G J Harlock for the Panel to have sight of the 100 point checklist which had been utilised as the basis for the self assessment review.

The Audit and Risk Manager reported that a Peer Review of the Internal Audit Service would be undertaken in October 2012, the outcome of which would be reported to the Panel at its December 2012 meeting. Having received clarification that the external audit opinion referred to within the report related to the audit of the 2011/12 financial accounts, it was

RESOLVED

- (a) that it be noted that the Internal Audit Service is generally effective; and
- (b) that the content of the action plan prepared to address the areas for improvement identified in the self assessment be noted.

22. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL

A report by the Audit and Risk Manager was submitted (a copy of which is appended in the Minute Book) detailing the outcome of a review undertaken by the Chairman on the effectiveness of the Panel.

The Chairman drew the Members attention to his conclusions relating to the Panel's understanding of the annual accounts process and the need to be more proactively aware of relevant legal and regulatory issues and best practice developments. Examples which were referred to included the implications of the International Financial Reporting Standards upon the Council and undertaking effectiveness reviews on significant decisions made by the Council, such as Local Government Shared Services outsourcing.

Following a question raised by a Member querying what aspect of the Local Plan the Chairmen felt that the Panel should be reviewing, the Head of Legal and Democratic Services explained that the process

was largely prescribed by legislation, which was subject to Judicial Review if not followed correctly and so there was limited scope for review. Consequently, it was noted by Members, that any review would be limited to the governance and procedural issues of the Local Plan process. Whereupon, it was

RESOLVED

- (a) that the outcome of the Chairman's review of the effectiveness of the Panel be noted;
- (b) that reports on the governance of the pay review, business continuity plan and the Local Plan be submitted to future Panel meetings; and
- (c) that the introduction of actions identified within paragraph 3.3 of the report now submitted be supported by the Panel.

23. RISK REGISTER

With the aid of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel were acquainted with changes made to the Risk Register between the period 14th March to 31st August 2012.

RESOLVED

that the content of the report now submitted be noted.

24. COMPLAINTS

Pursuant to Minute No.12/14, the Panel received a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) on the lessons learnt by the Council on the cases referred to the Local Government Ombudsman.

In introducing the report, the Head of Legal and Democratic Services reported that only two complaints had been referred to the Ombudsman in 2011/12, both relating to the same matter. As a result, two departments within the Council were now actively liaising with one another to prevent similar instances from arising in the future. Having been advised that the report would be submitted to the Panel on an annual basis, it was

RESOLVED

that the content of the report now submitted be noted by the Panel.

25. GOVERNANCE STATEMENT

(Mr C Everest and Ms H Clark, PricewaterhouseCoopers LLP were in attendance for consideration of this item).

By way of a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) the Panel undertook

its annual review of the governance statement which sets out arrangements for the Council's corporate governance activities.

The Corporate Policy and Performance Manager tabled an updated version of the Governance Statement (a copy of which is also appended in the Minute Book) to take into account comments which had been received by the external auditor since the publication of the Panel's Agenda.

In response to a question raised by a Member, it was confirmed that the Annual Audit and Inspection Letter for the 2010/11 accounts would be submitted to the December 2012 meeting of the Panel.

Having made minor suggestions to vary the text of the governance statement; namely in relation to the deletion of reference to the Local Area Agreement and an amendment to the date for the review of the effectiveness of the Overview and Scrutiny Panels, the Panel

RESOLVED

that subject to the incorporation of the amendments highlighted above, the Governance Statement for 2011/12 be approved and the Chairman of the Panel be authorised to sign the Statement on behalf of the Council.

26. APPROVAL FOR PUBLICATION OF THE 2011/12 ACCOUNTS

(Mr C Everest and Ms H Clark, PricewaterhouseCoopers LLP were in attendance for consideration of this item).

Consideration was given to a report by the Head of Financial Services (a copy of which is appended in the Minute Book) outlining the process required to be undertaken prior to the publication of the 2011/12 final accounts.

As part of which, Mr C Everest delivered the external auditors' ISA 260 report which outlined their findings arising from the audit of the 2011/12 accounts. Members were encouraged to note that there were no significant issues to bring to the attention of the Panel. Ms H Clark then proceeded to deliver an explanation of the audit approach undertaken and updated the Panel on matters which had progressed since the publication of the report.

The external auditors then proceeded to respond to a number of questions raised by the Panel relating to the qualification of the accounts, the effective use of financial journal entries by the Council, the difference between the trial balance and the amount disclosed within the financial statements and the implications of International Financial Reporting Standards upon building valuations for each of the Leisure Centre buildings.

Having expressed their satisfaction with the content of the external auditors' Letter of Representation and in receiving the draft Statement of Accounts for the year ended 31st March 2012, the Panel

RESOLVED

- (a) that the content of the external auditors ISA 260 report, together with the proposed management action to deal with the concerns raised, be noted;
- (b) that the Letter of Representation appended as an Annex to the auditors' report now submitted be approved and the Managing Director (Resources) be authorised to sign it on behalf of the Council;
- (c) that delegated authority be approved to the Managing Director (Resources), after consultation with the Chairman of the Panel, to make any final non-material changes to the 2011/12 accounts as required by the external auditors; and
- (d) that, subject to recommendation (c) above, the draft Statement of Accounts 2011/12 as appended to the report now submitted be approved and the Chairman of the Panel be authorised to sign the accounts on behalf of the Council.

27. TRAINING OF PANEL MEMBERS

The Panel considered a report by the Head of Financial Services (a copy of which is appended in the Minute Book) regarding suggestions for training for Panel Members based on the anticipated work programme for the Panel over the ensuing year. In light of previous comments which had been made over the Panel's lack of understanding on the annual accounts process, the Head of Financial Services indicated that training in this respect could be offered prior to the Panel's March 2013 meeting if desired.

28. EXCLUSION OF PRESS AND PUBLIC

RESOLVED

that the public be excluded from the meeting because the business to be transacted contains exempt information relating to any action to be taken in connection with the prevention, investigation or prosecution of crime, relates to the financial or business affairs of any particular person (including the authority holding that information) and is likely to reveal the identity of any individual.

29. HOUSING BENEFIT - INTRODUCTION OF RISK BASED VERIFICATION

(Councillor J A Gray, Executive Councillor for Resources was in attendance for consideration of this item).

With the aid of a report by the Head of Customer Services (a copy of which is appended in the annex to the Minute Book) the Panel considered a proposal to introduce risk based verification on new Housing and Council Tax Benefit claims submitted through the Council's online claim facility.

By way of background, the Managing Director (Resources) outlined

that the proposals had arisen as a result of a pilot undertaken by a number of local authorities across the country. The scheme would enable the Council to categorise applications into one of the three risk groups of high, medium or low and would generate efficiencies of up to 50% in the caseload for low risk claims and improved error detection rates for high risk cases.

In response to questions raised by the Panel it was confirmed that the scheme would relate to both Housing and Council Tax Benefit claims which were submitted through the Council's website. It was therefore agreed that paragraph 6.1 of the report should be amended to clarify this point in advance of its submission to the Cabinet. Whereupon, it was

RESOLVED

that the Benefits Risk Based Verification Policy attached as an Appendix to the report now submitted be approved by the Panel.

30. CODE OF PROCUREMENT : TENDER AND QUOTATION REVIEW

(Councillor J A Gray, Executive Councillor for Resources was in attendance for consideration of this item).

Pursuant to Minute No. 12/08, the Panel received a report by the Internal Audit and Risk Manager (a copy of which is appended in the annex to the Minute Book) responding to concerns which had previously been raised in respect of the Council's compliance with the Code of Procurement.

Having had their attention drawn to the review process adopted and the outcomes of the review, the Panel were advised that since May 2012, the Internal Audit Service had been notified and had witnessed the opening of four quotations, three of which had not been undertaken in accordance with the Code. In receiving a brief explanation of each of these cases, the Audit and Risk Manager then reported upon the need to make amendments to the existing Code to enable provision for emergency procedures relating to the receipt of contracts in excess of £50,000 and the need for this to be extended to include quotations.

The Panel expressed their disappointment over the lack of compliance with the Code and made comment that efforts should be made to ensure that the Code was being adhered to across the authority.

Following a question prompted by Councillor J A Gray, Executive Councillor for Resources, the Panel then discussed the process by which sub-contractors were appointed by the successful contractors and whether or not the Council had any influence over those which were awarded. In so doing, it was reported that the Council could nominate sub-contractors and stipulate this within the terms of the contract, however this was very rare and would result in the Council being exposed to increased levels of risk.

The Audit and Risk Manager reported that he would be undertaking a

further piece of work on the effective utilisation of the procurement register. This was welcomed by the Panel given that Members were not satisfied that the Internal Audit Service was being informed of all tenders received.

Other matters that were discussed included the publicity undertaken by the Council to attract potential contractors, the importance of communication, particularly to those that were unsuccessful in their bids and the process adopted by the Audit and Risk Manager to undertake the review.

The Head of Legal and Democratic Services delivered assurances that the Code was being adhered to in the case of large contracts and made comment that the problems experienced with the lower range contracts appeared to be a lack of knowledge and understanding of the Code, particularly in relation to the quotation procedures. In acknowledging the need for an education and training programme to be developed, the Panel

RESOLVED

- (a) that the content of the report now submitted be noted; and
- (b) that an education and training programme be developed for Officers on compliance with the Code of Procurement.

31. LESSONS LEARNT - 2010/11 ACCOUNTS

(Councillor J A Gray, Executive Councillor for Resources was in attendance for consideration of this item).

Pursuant to Minute No. 12/09 and by way of a report by the Managing Director (Resources) (a copy of which is appended in the annex to the Minute Book) the Panel received a summary of the lessons learnt, together with the additional costs attributable to the delay in the publication of the 2010/11 accounts.

Having been advised that the review had been undertaken by the Audit and Risk Manager, Members attention was then drawn to the five recommendations made, which the Managing Director (Resources) indicated he had accepted.

The Panel then proceeded to review each of the recommendations proposed within the report and also expressed their support for the actions proposed.

Nevertheless, some disquiet continued to be expressed by Members over the extent of the problems experienced. Comment was made at the lack of detail provided within the report on the additional costs incurred by the Council as a result of the delay with the publication of the 2010/11 accounts. Other matters that were discussed included the scheduling of the planned voluntary retirement of the Capital Accountant and the flexible working practices adopted by the Accountancy Team.

Having placed on record their thanks to the Head of Financial Services and his Team for their efforts in finalising the 2010/11 accounts, the Panel

RESOLVED

- (a) that external audit recommendations be included within the internal audit actions database with a view to monitoring these actions and reporting progress against them at future Panel meetings;
- (b) that information reports be circulated to Panel Members outside of the meeting on key issues and/or initiatives being undertaken by the Council;
- (c) that the corporate guide to managing projects be reviewed and approved by Chief Officers Management Team and subsequently forwarded on to Managers for their perusal;
- (d) that agreed audit actions from the Asset Register be introduced for implementation by the Head of Financial Services; and
- (e) that the Head of Financial Services be requested to take steps to ensure that International Financial Reporting Standards knowledge and skills are captured with a view to enabling good financial reporting in future years.

Chairman

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CORPORATE BUSINESS CONTINUITY PLANNING (2012 ANNUAL REPORT) (Report by the Head of Information Management)

1. PURPOSE

The purpose of this paper is to:

- a) Inform the **CORPORATE GOVERNANCE PANEL (CGP)** of the progress that has been made in planning for Corporate Business Continuity; and,
- b) Report on BCP incidents since September 2011.

This paper describes the processes around the development and proposed maintenance of the **Business Continuity Plan (BCP)** but does not include the detail of the Plan itself.

2. BACKGROUND

- 2.1 The Council's **Service Recovery Plan** and associated responsibilities were audited in 2010/11. The final report can be found here:

<http://teams.huntsdc.gov.uk/finserv/audit/actions/Audit%20Reports/Business%20Continuity%2011.12.pdf>

- 2.2 Two high risks were identified:

- a) "Overall responsibility for BC Management has not been re-assigned or communicated since the retirement of the Manager responsible in March [2011]. Whilst there is a Corporate Service Resumption Team comprised of representatives from across the Council, there is no evidence that the terms of reference for the Team and formal roles and responsibilities have been documented and agreed. There is an increased risk of a lack of formal accountability for Business Continuity."
- a) "Although the Council has a "Corporate Service Resumption Plan", which contains much of the detail that would normally be expected with a BC Management plan, there are some key exceptions e.g. it was only available as a single hard copy in the office and required review as there has been no significant update of the plan since June 2008. There is a risk that the plan will not support the Council's priority objectives during an invocation."

2.3 In addressing these and other issues the following actions were taken:

- a) The Managing Director (Communities, Partnerships & Projects), as Head of Paid Service, assumed responsibility for Corporate Business Continuity;
- b) The Executive Leader became the Executive Member with responsibility for Business Continuity;
- c) The Head of Information Management (HoIM) was tasked to:
 - (i) Lead the project to review & update the **Service Recovery Plan** (now the **Business Continuity Plan (BCP)** and develop a **BC Management System (BCMS)** (on-going – version 1.0 of BCP completed);
 - (ii) Re-establish a team of Officers who would be responsible, on behalf of SMG, for developing service-specific BC plans - within an overall corporate BC plan framework (completed);
 - (iii) Establish mechanisms to support the on-going sustainable maintenance & development of the Plan (completed);
 - (iv) Exercise the Plan at regular intervals (to be done); and,
 - (v) Take the corporate lead, on behalf of SMG, should the Plan need to be implemented (on-going).

NB In the absence of the HoIM, the Head of Environmental Management would take on this role (v). In the absence of both these HoS then one of Managing Directors would nominate one of the remaining Heads of Service to take on this role. The role should **not** fall to a Team Manager in IMD as they are likely to be engaged in implementing the ICT-specific BCP.

2.4 The CGP recorded its concern regarding the adequacy of the Business Continuity arrangements in the September 2012 Annual Governance Statement and recorded its intention to monitor the progress of Business Continuity Plan improvement.

2.5 An earlier version of this report was considered by the Overview & Scrutiny (Economic Well-Being) panel on the 8th November 2012. The points raised by the panel have been either incorporated into the BCP or included in the **Improvement Plan** for the BCP.

3. DEVELOPING THE BC MANAGEMENT SYSTEM (BCMS) & BC PLAN (BCP)

3.1 Research was undertaken into how other authorities address BC; in particular, Cambridgeshire County, Fenland and South Cambridgeshire were consulted. It was decided that the South Cambridgeshire approach offered a clear and comprehensive model and this has been adopted for the HDC BC Plan. Several adaptations & improvements have been made to the original SCDC model during the project.

3.2 The development team has made good use of available technologies to help both the development of the Plan and to provide an encompassing BCMS. For example,

- a) Separate SharePoint sites¹ have been established for the project and “business as usual”; these help communicate information and understanding about the BC process as well as the Plan itself; they also provide a means to

¹ SharePoint is an intranet-based information system which allows teams to share information in a controlled manner

- record and learn lessons from previous incidents and hence provide opportunities to develop and improve the BC Plan;
- b) Encrypted USB sticks will contain both the BC Plan and supporting documents required by individual services.
 - c) A mechanism to “broadcast” SMS messages to key personnel will be available to complement other communication channels during a Business Continuity incident.
- 3.3 The team has worked on a one-to-one basis with BC Co-ordinators as well as holding monthly joint meetings. This has helped understanding of the BC process for the co-ordinators and been insightful – in terms of understanding how services work and their priorities - for the development team as well.
- 3.4 It is recognised that the “perfect” plan, which would be applicable in all scenarios, would never be achievable; there would always be something extra which could be developed. Therefore, it was decided that the plan needed to be flexible and to focus on identifying what **outcomes** were most important to individual services within certain timeframes ie within 24 hours, 7 days and 30 days of a major incident.
- 3.5 Having identified the priority outcomes the Plan seeks to identify what resources & processes would be required to deliver these outcomes for services.
- 3.6 A further, as yet incomplete, development – included with the BCP’s Improvement Plan - is to rationalise the service priorities and, hence, produce a “definitive” priority service list for the Council. This is important to ensure that reduced Council capability, during a Business Continuity incident, can be targeted on the most urgent & important service elements.
- 3.7 However, at different times of the month and at different times of the year, services have different priorities. For example, “year-end” is important for a number of services whereas the preparation for, and the running of elections is particularly important to Electoral Services. A “time-line” is being prepared to capture these calendar-dependent priorities.
- 3.8 Most of the services which the Council provides depend heavily on the availability of information provided through computer-based systems. However, in developing the service-specific plans BC Coordinators were challenged to consider the scenario where their usual reliance on computer-based systems was compromised. This proved a useful approach in that it focussed attention on what was most important and how alternative sources of information - and other necessary resources - could be provided.
- 3.9 As each service developed their individual plans various issues were identified and logged. For example, inter-dependencies between services became evident – in particular between certain services and customer services. Some of these issues were service-specific and others more generic. All these issues have been recorded and - together with an independent review of the Plan (see 3.10) and with feedback from colleagues - form the Improvement Plan for the BCP. The **draft** Improvement Plan can be found in Appendix 9 of the BCP; this will need to be re-assessed in light of available resources.

- 3.10 BGG Associates, who specialise in the areas of Emergency Planning and Business Continuity, have worked with the Emergency Planning team for a number of years. BGG was recently commissioned to review the draft BCP against the British Standard for Business Continuity BS25999 (much of which has recently been incorporated into ISO22301). BGG subsequently produced a report of their findings making a total of 31 recommendations. The executive summary is reproduced in Annex 1.

The overall view was that the BCP (version 1.0) was a “good start” and that “many of the fundamental building blocks have now been developed”.

4. **INSTIGATION OF THE BC PLAN IN THE LAST 12 MONTHS**

- 4.1 There were 6 “notable” incidents (or anticipated incidents) over the last 12 months which “triggered” action by the BC Team (or parts thereof); namely:

November 2011:	strike action
February 2012:	adverse weather (snow - 2 instances)
March 2012:	fuel shortage (potential for)
March/April 2012:	Call Centre: Speke House/Pathfinder telephony issues
April 2012:	Electronic Document Management (EDM) failure

- 4.2 Although the new corporate BCP was not fully in place elements of this were used successfully and the BC Team met and/or contributed towards the resolution of the incidents. Post-incident review sessions were (generally) held to learn any lessons. The documentation relating to these incidents is held on the “business as usual” BCP site:

<http://initiatives.huntsdc.gov.uk/BusinessContinuity/default.aspx>

- 4.3 In addition there were a number of ICT-specific incidents which were addressed by IMD and the affected service(s). These were addressed using the IMD HESP (Help Desk Emergency Situation Procedure) process which has been in place since 2004. HESP follows the same basic corporate BCP process of “analyse-document-communicate-recover-review & learn”. However, due to the Council’s heavy reliance on operational ICT, a review of the HESP process will be included within the BCP Improvement Plan.
- 4.4 In all 25 HESP incidents were logged during the period September 2011 to August 2012.

5. **ISSUES**

- 5.1 As issues were identified during the development project they have been logged and incorporated within the **Improvement Plan** (Appendix 9 of the BCP).
- 5.2 The Council’s Emergency Plan (EP) and Business Continuity Plan need to be “synchronised”. During the development of the BCP there was close working with the EP team. Further work needs to be done to ensure the 2 plans are complementary. It was noted that some other authorities combine the roles of BC & EP coordination - this needs further consideration.

- 5.3 The identification of alternative sites to accommodate Council services after a major incident is a priority objective. The Council's participation in both the Making Assets Count (MAC) project and Cambridgeshire Public Services Network (CPSN) should facilitate achieving this objective.

RISKS

- 5.4 Insufficient time may be devoted to the ICT/IMD BCP due to the need to develop and execute the corporate BCP. Mitigation: the Head of Information Management has delegated responsibility for the ICT/IMD BCP to the IMD Operations Manager and the IMD Development Manager. It may be necessary to spend more IMD resource developing the ICT BCP than developing other more "corporate" elements of the Improvement Plan as failures of ICT, arguably, pose most risk to Business Continuity.
- 5.5 The BCP may be insufficient or over-engineered. Mitigation: a) an independent review of the Plan (by BGG) has reduced this risk; b) a continuous improvement programme will be instigated including reviews of current best practice; c) practical exercises, facilitated by external experts, will be held annually, and, d) regular "engagement" with both Senior Management Group and the BC Team (together with a formal annual report to COMT and the Governance Panel) will make sure the BCP is regularly reviewed.
- 5.6 Outsourced services may have inadequate BCPs (eg LGSS HR/ODW/Payroll/Recruitment, HIA) and accountability for their development and upkeep may be unclear. Mitigation: the BCP Improvement Plan schedules further work in this area.

6. RESOURCE REQUIREMENTS

- 6.1 Each Head of Service has nominated a BC Coordinator and Deputy to develop and maintain a service-based BCP which "feeds" into the Corporate BCP maintained by IMD.
- 6.2 During the **development** phase of this new version of the BCP an estimated 0.7 FTE effort has been expended:
- (i) 0.25 FTE (services)
 - (ii) 0.2 FTE (IMD Support Team Leader)
 - (iii) 0.2 FTE (HoIM)
 - (iv) 0.05 FTE (IMD Support Team)
- 6.3 It is expected that the effort required during the next 12 months will be of a similar level as there are a significant number of elements which need to be developed further.
- 6.4 During September 2011 an MTP bid was submitted to fund external consultancy / training / supplies although it was unclear, at the time, what level of funding was required. This allowed for £10k in each of the years 2011-12 & 2012-13. The £10k was unspent in 2011-2012. A revised MTP bid was submitted in September 2012 giving the following spend profile:

2012-13	2013-14	2014-15	2015-16	2016-17
£6k	£4k	£4k	£4k	£4k

Internally-funded staff resources are not included within this bid but are estimated to be 0.7 FTE in 2012-13 reducing to 0.5 FTE thereafter.

7. **NEXT STEPS**

- 7.1 Encrypted USB sticks will be issued/re-issued with the BCP. The Council remains “at risk” until this has been done as the Service Recovery Plan is substantially out of date. The mechanism for “self-service” updating of the USB sticks will also be introduced at the same time.
- 7.2 Hard copies of the Plan will be issued in line with Appendix A10 of the Plan.
- 7.3 The Improvement Plan will be reviewed and priority actions will be scheduled for the period to August 2013.
- 7.4 In addition to carrying out the updates set out in the Improvement Plan the following annual cycle (to help achieve continual improvement) is anticipated:
- (i) Quarterly meetings of the BC Team have been diarised;
 - (ii) The first annual BC exercise is scheduled for January / February 2013;
 - (iii) The BCP will be reviewed annually in June/July 2013 and submitted, for approval, to COMT in August 2013; and,
 - (iv) Review by Governance Panel in December 2013.

8. **CONCLUSION**

- 8.1 Good progress has been made with replacing the former Service Recovery Plan with the Business Continuity Plan. A new group of BC Coordinators and Deputies has been established and there has been excellent input from this group in developing their service-specific BCPs.
- 8.2 Intranet sites have been set-up for both the development project and BC “business as usual”. These help in the communication and management of the BCP.
- 8.3 A comprehensive draft Improvement Plan has been developed.
- 8.4 The BC Team has successfully addressed a number of BCP incidents in the last 12 months.

Background documents:

1. **Corporate Business Continuity Plan** (Version 1.0 3rd September 2012)
2. **Review of Huntingdonshire District Council's Business Continuity Plan** (BGG 9th October 2012)
3. Draft minutes of the 8th November 2012 meeting of the Overview & Scrutiny (Economic Well-Being) panel

Contact Officers:	Kate Adams, IMD Support Officer, 01480 388173 Chris Hall, Head of Information Management, 388116
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Executive Summary

(from BGG's Review of Huntingdonshire District Council's Business Continuity Plan)

Without a Business Continuity Plan being in place the Council is very vulnerable to disruptive incidents, it is therefore important to issue a plan at the earliest opportunity and then work towards a programme of continual improvement.

A significant start has been made in developing a Business Continuity Management System for the Council and the Improvement Plan (Appendix A9) has already identified a number of areas where further improvement can be made over time.

We have reviewed the current draft Plans against the industry best practice standard of BS25999 and, not surprisingly given the early stage in the plan development, have identified areas for further development (See Section 2).

We have also identified a number of areas where we believe the content of the Corporate Business Continuity Plan (CBCP) could be further developed (See Section 3).

We have taken an overview of the Service Plans detailed in Appendices B-O and identified a number of areas for further improvement (See Appendix 1).

At Section 4 we have detailed a suggested Action Plan which should be read together with the Council's own BCP Improvement Plan.

We consider that the high priorities for the Council should be to:

1. Produce a Council prioritised list of services identifying 'key services'.
2. Undertake a detailed business impact assessment to determine the impact of any disruption of the activities that support the Council's key products, services should then be assessed and prioritised.
3. Clarify the roles and membership of the EBCT and the CBCT.
4. Clarify and test the arrangements for producing and holding contact details.

The Council has made a good start on the Business Continuity journey and many of the fundamental building blocks have now been developed, the next stage is to refine and test the draft plan to ensure that the blocks fit together and the plan works in practice.

EMPLOYEES LIAISON ADVISORY GROUP

7TH November 2012

EMPLOYMENT PANEL

28TH November 2012

CORPORATE GOVERNANCE PANEL

12th December 2012

Review of Employee Consultation and Information Arrangements at HDC

(Report by LGSS)

1. INTRODUCTION

This report has been produced at the request of the Managing Director, Resources, to evaluate the current processes in place for HDC, and to make proposals to streamline future arrangements.

2. BACKGROUND

The Council currently has two inter-related 'established' forums for consulting and informing staff on employment and service matters; and for making employment related decisions. These comprise:

The Employee Liaison Advisory Group (ELAG) and the Employment Panel. Proposals and recommendations are viewed by a formal meeting of ELAG prior to being considered by Employment Panel for ratification.

There exists substantial duplication with the same agenda discussed at both forums. The Employment Panel is by its current definition the forum that ratifies recommendations and proposals relating to employment and workforce matters as previously considered by ELAG which in turn have already been discussed between ELAG staff side and management. It also reviews management performance through the quarterly employment report and other briefings.

A large number of these decisions could be consulted on and ratified locally if the remit and membership of both forums was re-defined; and the constitution was revised to enable the delegation of employment decisions to the Head of Paid Service.

This paper has been presented to ELAG and Employment Panel and has been supported.

3. RECOMMENDATION

Corporate Governance Panel are asked to give consideration to the attached paper, and endorse the alternative format proposed for the consultative and information sharing arrangements within HDC.

Contact Officer: Janet Maulder, HR Business Partner (LGSS)

☎ 01223 699495

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Employee Consultation and Information Arrangements at HDC

Discussion Paper for Corporate Governance Panel

12th December 2012

1 Purpose

The purpose of this discussion paper is to review the existing Information and Consultation arrangements at HDC; and provide proposals for future practice, including the next steps that will need to be considered in order to effect any changes agreed.

2 Desired outcome

ELAG are asked to agree to the proposed changes that are outlined in this paper for consultation with the Employment Panel members.

3 Background

Good communications and consultation are central to the management process when dealing with changes in working practices and procedures and building and maintaining effective relationships in the workplace.

Furthermore, a clear communication and consultation framework is a particularly effective way of setting out the approach of the organisation and defining the responsibilities of those involved.

Information, consultation and negotiation arrangements vary considerably across Council's in the UK, particularly in relation to the membership and function of these forums.

At Huntingdonshire District Council the emphasis is very much on 'consultation' (taking account of as well as listening to the views of employees prior to making management decisions) rather than negotiation, which tends to be associated with resolving disputes and reaching collective agreements with recognised trade unions. However this consultative approach has not been reflected in the terms of reference of the panels. The result is a two level Information and Consultation process which does not reflect the consultative approach being applied. At one level there is an employee consultative group (ELAG), comprising of a small number of elected members and a number of staff representatives. This then feeds into a higher, second level, decision making body/ committee comprising elected members only.

Other Council's such as Northampton Borough, operate a consultative forum that does not include elected members, whereby, the Head of Paid Service has overall corporate management and operational responsibility for all officers and workforce matters. Elected members do however play an important role in holding the strategic overview of key employment decisions, amongst other things, in the form of a general overview committee.

The Localism Act 2011 has added a new dimension as Councils are required to publish a pay statement that includes full details of chief officer remuneration and related delegations and procedures. Huntingdonshire DC has already complied with this requirement and has established the Senior Officers Panel to review senior appointments.

Once again, Councils have responded to this Act in a number of ways. Rutland County Council's constitution, for example, requires full Council approval for all appointments and remunerations for Senior Officers (at Rutland this includes Assistant Director Level and above).

Other Councils (Liverpool City, Sheffield City, Thanet District) have delegated responsibility for senior officer appointments (including determining salary and remuneration) to a sub committee of the Council; requiring full Council approval for the Head of Paid Service role and salary packages in excess of £100k.

4 Existing Arrangements at HDC

At present, Consultation and Information arrangements at HDC fall into the first model identified in Section 3. Notably, the Council has two inter-related 'established' forums for consulting and informing staff on employment and service matters; and for making employment related decisions. These comprise:

4.1 The Employee Liaison Advisory Group (ELAG)

This group is currently made up of twelve elected staff side members (representing each Council Service) and three elected members of the District Council. Representatives from the Senior Management team, HR or other Officers within the service areas are also invited to attend as appropriate.

The key remit of this group is to forge closer, more effective working relations between *management* and *employees* (via staff representatives), consulting on a wide range of employment matters that extend well beyond the legal requirements set out in the Information and Consultation of Employees Regulations.

ELAG staff side meet monthly to discuss issues arising without management and individual representatives or the whole group meet as and when needed with senior managers.

Proposals and recommendations are viewed by a formal meeting of ELAG prior to being considered by Employment Panel for ratification.

4.2 The Employment Panel

This comprises eight elected members of the Council, including at least one member of the Cabinet.

The Employment Panel is responsible for discharging the functions of the Council in relation to the employment of its workforce. As stated above, a key role of this group is to ratify the recommendations put forward by ELAG. In practice, this means that the same agenda is discussed at both groups. The Employment Panel acts as the 'decision' making body, taking into consideration, the views put forward by the employee representatives at the ELAG meeting.

4.3 Senior Officer Panel

In addition to the above, Huntingdonshire has an established Senior Officer Panel, comprising 4 elected members (and the relevant executive Councillor) that is currently responsible for:

- the appointment of Chief Officers (other than the Head of Paid Service or their equivalent);
- the dismissal of Heads of Service and above;
- suspension of Heads of Service and above; and
- undertaking hearings /take disciplinary action in the case of Heads of Service or above.

5 Key observations on current arrangements and recommendations for future practice

The key observations relating to current arrangements are detailed below:

- **Membership & Remit of the 2 established groups**

There appears to be unnecessary duplication with the same agenda discussed at both forums. The Employment Panel is by its current definition the forum that ratifies recommendations and proposals relating to employment and workforce matters as previously considered by ELAG which in turn have already been discussed between ELAG staff side and management. It also reviews management performance through the quarterly employment report and other briefings.

A large number of these decisions could be consulted on and ratified locally at the ELAG group if the remit and membership of both forums was re-defined; and the constitution was revised to enable the delegation of employment decisions to the Head of Paid Service.

Tied in with this latter point therefore is the question regarding the current constitution / membership of each group.

At present, there are 3 elected members from the District Council who participate in the ELAG meetings. In practice, this means that these members potentially spend a large amount of time discussing and consulting with employee representatives on service issues, rather than maintaining an overview of employment practice and decisions across the Council.

Similarly, with unnecessary duplication at the Employment Panel, members are involved in discussing and making employment decisions that could be ratified at the ELAG, if the terms of reference for each forum were re-defined.

6 Proposals for future practice

It is proposed that the membership and remit of ELAG is re-defined.

6.1 Staff Council

Employee staff side representatives will continue to meet on a monthly basis without management to discuss issues arising. This group will be called the Staff Council.

6.2 Joint Liaison Group

In addition to maintaining the status quo, whereby staff side representatives are able to meet informally with management and the Head of Paid Service, it is proposed that members of the Staff Council (above) will meet **formally** with management, including the Head of Paid Service on a quarterly basis. This will facilitate meaningful discussion and information sharing of employment matters across the Council; as well as providing the opportunity to table reports to the Employment Scrutiny Panel for consideration as appropriate. This 'joint' group will be called the Joint Liaison Group. Employment decisions will be delegated to the Head of Paid Service rather than the Employment Panel.

It is also proposed that the administration of the quarterly meetings for the Joint Liaison Group is overseen by Human Resources rather than Democratic Services.

The benefits of this proposal are:

- It gives formal recognition and value to the staff forum.
- It enables workforce employment matters to be consulted on and decided at service level, helping to maintain closer links and engagement between staff and management;
- There will be less duplication – removing the situation of discussing the same agenda at each forum.
- It reduces the administrative support required from Democratic Services.

Suggested terms of the Joint Liaison Group can be found in Appendix 2.

6.3 The Employment Scrutiny Panel

It is proposed that the membership of this group remains the same but the terms of reference are revised to enable this panel to act in a 'scrutiny' capacity for the Council on employment and workforce matters. This Panel would be called the Employment Scrutiny Panel and would receive regular 'employment' reports from the Joint Liaison Group. The Chairman and the Vice Chairman of the Employment Scrutiny Panel would continue to meet with Management and with Staff Council informally as required to ensure that they are provided with a strategic overview of the people management issues within the Council.

Suggested terms of reference for this forum can be found in Appendix 3.

It is recommended that HDC elected members are consulted fully regarding any proposed changes to terms of reference, the number of HDC elected representatives to be included and the procedure for electing representatives and for holding meetings.

6.4 Senior Officer Panel, particularly in relation to T&C's and appointments

The Localism Act 2011 requires all authorities to prepare a Pay Policy statement for the financial year 2012/13 and each year thereafter. Part of this statement requires full details on all aspects of chief officer remuneration, which includes decisions regarding starting salaries for appointments of senior officers.

It is recommended that the terms of reference of the Senior Officer Panel are widened and strengthened to include agreeing the starting pay for posts at Heads of Service and above, including the Head of Paid Service. The Head of Paid Service appointment and appointments of

a starting salary of £100k will require full Council approval. All appointments made by the Senior Officer panel will be made in accordance with the Officer Employment Procedure Rules in the Constitution.

Proposed changes to the terms of reference for the Senior Officer Panel are detailed in Appendix 4.

6.5 Failure to reach agreement/disputes

Where there is a failure to agree or a dispute arises relating to employment matters at the Joint Liaison Group, it is proposed that a meeting should take place between the Chairman and the Vice Chairman of the Employment Scrutiny Panel and members of the Joint Liaison Group. It is proposed that the Chairman and the Vice Chairman of the Employment Scrutiny Panel will have delegated powers to try and resolve disputes, prior to escalation to the more formal ACAS route.

7 What will these suggested changes look like for HDC?

The diagram in Appendix 1 shows what these changes will look like for Huntingdonshire District Council.

8 Next Steps

- Consultation meeting with ELAG – 14 November 2012

(Action - ELAG to support completion of Terms of Reference & Procedure document for ELAG)
- Consultation with Employment Panel – 28 November 2012

(Action - Employment Panel to support completion of Terms of Reference & Procedure document)
- Consultation meeting with Senior Officer Panel - (date tbc)
- Once proposals agreed proposed changes to Constitution paper to Corporate Governance Panel to take recommendations to full Council – (date tbc)
- Full Council to approve changes to Constitution December 2012

Current Arrangements:

Employment Panel

Membership:

8 Elected HDC members, including at least 1 member of the Cabinet.

Purpose:

To discharge the functions of the Council in relation to the employment of the Council's workforce

Senior Officers Panel

Membership:

4 Members of the Council (and the relevant Executive Councillor where applicable)

Purpose:

Responsible for appointment (excludes Head of Paid Service), dismissal, suspension, undertaking of disciplinary hearings of Chief Officers and Heads of Service or their equivalent

Proposed:

Employment Scrutiny Panel

Membership:

8 Elected HDC members, including at least 1 member of the Cabinet.

Purpose:

To provide strategic overview of the people management and workforce decisions and issues within the Council Vice Chairman and Chairman of ESP to have delegated powers to try to resolve disputes at Joint Liaison Group, prior to escalation to ACAS.

Frequency of Meetings: As required -tbc

Senior Officer Panel

Membership:

4 Members of the Council (and the relevant Executive Councillor where applicable)

Purpose:

Make appointments (including starting salary arrangements) dismissals, suspensions; and undertake disciplinary hearings of Heads of Service or their equivalent and above, in accordance with the Officer Employment Procedure Rules.

NB- In the case of the Head of Paid service or for salary packages that exceed £100k, the full Council must approve any proposed appointments before an offer of appointment is made and must approve any proposed dismissals before notice of dismissal is given

Frequency of Meetings: As required

Joint Liaison Group

Membership:

Staff Council representatives, reflecting current distribution of council employees but not to exceed 15; Managers /Officers as required, including Head of Paid Service.

Purpose:

Maintain effective communication between employees and management and consult on workforce /Employment matters Employment decisions delegated to Head of Paid Service. Quarterly formal meetings; with the ability to table reports to Employment Scrutiny Panel as appropriate.

Frequency of Meetings: Quarterly Meetings

Staff Council

Membership:

Employee representatives for the Council's Services, reflecting current distribution of council employees but not to exceed 15; Managers /Officers as required

Purpose:

Maintain good employee relations and ensure the views of staff are considered in relation to proposed changes to employment matters

Frequency of Meetings: Monthly meetings feeding into JLG

ELAG

Membership:

3 Elected Members of the District Council and 11 elected staff side members

Purpose:

Maintain effective communication between employees and management and consult on and make recommendations to the Employment Panel on a wide range of workforce and employment matters
Decisions escalated to Employment Panel for Ratification

25

DRAFT DOCUMENT - to be agreed and finalised following consultation



Terms of Reference and Constitution of the Joint Liaison Group

1 Introduction

- 1.1 The council strives to create and maintain a working environment which is conducive to the achievement of the organisational, team and individual objectives and which promotes effective and harmonious working conditions.

2 Objectives

- 2.1 It is important for efficiency and for good employee relations that:
- (a) The Staff Council and Senior Management are kept informed of matters of mutual concern;
 - (b) the views of the Staff Council are sought on existing practices and on proposed changes which would affect them at the earliest opportunity;
 - (c) Trust and communication exists between the Staff Council and Management;
 - (d) Annual schedule of meetings with the appropriate groups drawn up at the start of each financial year; a minimum of 4 formal meetings per year;
 - (e) Support the Joint Liaison Group members with appropriate training in order to carry out their role.
- 2.2 The general objectives of the Joint Liaison Group are:
- (a) Maintain and develop an efficient and effective service by bringing Management and the Staff Council together at the earliest opportunity;
 - (b) To afford a regular basis of consultation on matters relevant to this objective and also on matters relating to employee relations,

productivity and working and other arrangements and terms and conditions of employment;

- (c) To discuss in relation to local conditions the implementation of matters which have been prescribed or recommended at national, provincial or other agreed local levels;
- (d) To give the Staff Council a wider interest and greater responsibility in these matters; and
- (e) To maintain effective means of communication between the Staff Council and Management

3 Functions

3.0 In pursuance of these general objectives the following issues may include, but not exhaustive, be discussed by the Joint Liaison Group and recommendation made:

- (a) management objectives;
- (b) organisation or re-organisations;
- (c) issue and revision of working formats in the interest of efficient working, improvements in methods of work, management aids to productivity;
- (d) work conditions –
 - (i) arrangements of hours, rotas, time recording, breaks
 - (ii) design and layout of buildings from the point of view of working conditions, including office heating, lighting and furnishings
 - (iii) provision, specification and use of equipment;
- (e) human resource arrangements –
 - (i) conditions of service, including sick pay, payments, holiday provision, pensions, flexible working framework
 - (ii) training and development
 - (iii) physical and psychological well-being;
- (f) procedures for settlement of grievances, discipline, incapability, redundancy;
- (g) general questions of policy in relation to discipline and productivity;
- (h) maintenance of essential services in emergencies; and
- (i) local salary and grading arrangements.

3.1 The Joint Liaison Group will not consider issues that should correctly be referred elsewhere, for example individual appeals and grievances.

4 Constitution

4.0 The Joint Liaison Group shall comprise of:

- Employee representatives for the Council's services, the number of representatives shall reflect the current distribution of Council employees but shall not exceed fifteen; and
- Senior Management as appropriate, including the Head of Paid Service.

- 4.1 Each member of the Staff Council shall hold office for two years and half of the members shall be re-elected alternate years therefore retaining the experience within the Staff Council.
- 4.3 The representation should be sufficient to ensure on each side adequate representation for different services, groups or functions. The Staff Council will nominate group members to represent the service, group or function as applicable.
- 4.4 Each representative for each service shall be elected by nomination by themselves or others, if more than one nomination wishes to stand for election a direct ballot of all employees in that service shall be administered by the Corporate Team in conjunction with the current the Staff Council representatives.
- 4.5 The Joint Liaison Group will be chaired by the representative from the Senior Management Team.
- 4.6 Either side shall have the right to co-opt, in a consultative capacity, consultants or advisers to, or representatives of particular directorates, services or functions affected by a question under discussion which are not directly represented on the Joint Liaison Group, but only for the period during which the relevant question is under consideration.
- 4.7 Either side may arrange for the attendance in an advisory capacity of an employee or Trade Union Official at any Joint Liaison Group meeting where it would be helpful to the business under discussion. Such attendance shall be notified to the Human Resources section.
- 4.8 The Joint liaison Group shall have power to appoint or arrange for the appointment of, task and finish, Sub-Groups as necessary.

5 **Procedure**

- 5.1 A minimum of four formal Joint Liaison Meetings shall be scheduled per year. These will normally be 4 weeks before meetings of the Council's Employment Scrutiny Panel to allow members of the Advisory Group the opportunity to contribute towards the formulation of any employment related reports / policies. There shall also be provision for special meetings. Special meetings shall be called as quickly as possible in any event not later than one week after a request on behalf of either side to the Human Resources Section.
- 5.2 Staff Council members will continue to meet informally with management and the Head of Paid Service as appropriate.
- 5.3 The agenda for the meeting shall be dispatched by the Human Resources Section not later than five working days before a meeting. Business other than that on the agenda may be introduced at the request of either

Management or Staff Council Representatives, subject to the agreement of the other side and the consent of the Chairman.

- 5.4 Two Elected Members representing the Management Side and two elected Employees' representatives representing the Staff Council shall together constitute a quorum.
- 5.5 The Staff Council representatives shall, for time spent at meetings of the Joint Liaison Group, be paid at their ordinary rate, exclusive of bonus, accumulate hours under the flexible working framework or, where previously agreed with their Head of Service, take time off in lieu for time spent at meetings of the Advisory Group.
- 5.6 Suitable facilities shall be granted to the Staff Council to undertake and fulfil their duties. Reasonable and appropriate time off to fulfil Joint Liaison Group and Staff Council duties will be granted and approved by the relevant Head of Service.
- 5.7 The agenda will be formulated and comprise of reports submitted directly by Management and the Staff Council.
- 5.8 Where there is a failure to agree / a dispute between Staff Council and Management, this should be referred in the first instance to the Chairman and the Vice Chairman of the Employment Scrutiny Panel. If the dispute remains unresolved this will follow the ACAS Arbitration route.

Staff Council Agreement:

The following will be endorsed by the Staff Council and are only applicable to the Staff Council.

- Training – the Staff Council will aim to attend training on employment law and grievance procedures within a 6 month period of joining the group
- The Staff Council will encourage representatives from each service area to join the group, making sure the maximum numbers do not exceed fifteen
- The Staff Council will agree a dedicated communications officer and chair person on an annual basis
- The Staff Council will aim to communicate using the following methods regularly:
 - ◆ Staff Council intranet site
 - ◆ Regular Staff Council meetings
 - ◆ Promoting the work within the group
 - ◆ Feedback to staff
 - ◆ Feed up to managers and members
 - ◆ Periodic updates in Team News

- The Staff Council will be available to engage in the following additional duties:
 - ◆ Consultation with managers and staff
 - ◆ Attendance at grievance and disciplinary hearings at the request of staff
 - ◆ Signposting staff to the appropriate resources within HDC and external agencies where applicable to offer support
- The Staff Council will make every effort to attend every meeting. If a member has an illness or a pre-booked holiday, then they should notify the chairperson who will take forward any topics raised and feedback to their service area.
- The Staff Council will make every effort to respond to requests for comments within the required timescale (noted on the email/forum/document). If there is no response within that period, only those comments from other Staff Council reps will be used in any response to management.
- Should any Staff Council member miss three meetings without notifying the chairperson of these absences, then their role as Staff Council representative will be advertised to find a replacement for their service area.
- Employees in the constituency of the representative may also make representations to the Staff Council chairperson should they feel that they are not being consulted/receiving feedback from meetings. A decision will then be made by the Staff Council about advertising for a new representative.
- The Staff Council will aim to reach a consensus. When this is not possible the forum will agree which views are taken forward.

DRAFT DOCUMENT – to be agreed and finalised following consultation

Appendix 3



Terms of Reference and Constitution of the Employment Scrutiny Panel

1.0 Purpose

1.1 The purpose of the Council's Employment Scrutiny Panel is:

- to provide the strategic overview of the people management and workforce decisions and issues within the Council

1.2 The Panel will be responsible for:

- conducting research in the analysis of employment practice within the Council and best practice;
- liaising with and where necessary requesting information and reports from the Council's Joint Liaison Group to support their analysis;
- reporting to/making recommendations to Council and /or Cabinet in relation to the employment and workforce practices within the Council;
- feedback any findings and recommendations to Management and the Joint Liaison Group.

The Chairman and the Vice Chairman of Employment Scrutiny Panel should continue to meet with Management and with members of the Joint Liaison Group informally to ensure that they are provided with a strategic overview of the people management issues within the Council.

2.0 Membership

2.1 The panel shall comprise:

- 8 members of the Council including at least 1 member of Cabinet.

3.0 Election of members:

3.1 Members of the panel will be appointed by Full Council following a recommendation from the Executive Leader.

4.0 Monitoring and Review

4.1 These Terms of Reference will be reviewed on an annual basis by the members of the Employment Scrutiny Panel – variations will be implemented with the agreement of full Council.

5.0 Signatories

6.1 Signed on behalf of Huntingdonshire District Council

EXAMPLE DOCUMENT - to be agreed and finalised following consultation

Appendix 4



Terms of Reference and Constitution of the Senior Officer Panel

Please note - throughout this document the term Senior Officer refers to The Head of Paid Service, Director, Heads of Service and other direct reports to Directors

1.1 Purpose

1.1 The purpose of the Senior Officer Panel Council's Employment Panel is to manage the appointment and dismissal of, and taking disciplinary action against Senior Officers of the Council in accordance with the Council's Officer Employment Procedure Rules.

1.2 Specifically the Panel will be responsible for:

- Appointing Senior Officers, which includes deciding starting salary and remuneration packages;
- Dismissing Senior Officers;
- Suspension of Senior Officers;
- Undertaking hearings and taking disciplinary action in the case of Senior Officers; and
- The setting of Senior Officer salaries and determination of pay rises and bonuses and other benefits.

All the above will be done in accordance with the Officer Employment Procedure Rules.

1.3 In the case of the Head of the Council's Paid Service or for salary packages that exceed £100k, the full Council must approve any proposed appointment before an offer of appointment is made and must approve any proposed dismissal before notice of dismissal is given.

2.0 Membership

2.1 The Senior Officer Panel shall comprise:

- 4 members of the Council (and the relevant Executive Councillor in relation to the post to be filled)

3.0 Election of members:

3.1 Members of the panel will be appointed by Full Council following a recommendation from the Executive Leader.

4.0 Monitoring and Review

4.1 These Terms of Reference will be reviewed on an annual basis by the members of the Senior Officer Panel – variations will be implemented with the full agreement of full Council.

5.0 Signatories

5.1 Signed on behalf of Huntingdonshire District Council

CORPORATE GOVERNANCE PANEL

12 DECEMBER 2012

**OVERVIEW & SCRUTINY
(ECONOMIC WELL-BEING) PANEL**

10 JANUARY 2013

**FRAUD INVESTIGATION
(Report by the Head of Customer Services)**

1. INTRODUCTION

1.1 This report provides a summary of the historic activity of the Councils fraud team, the current threat of fraud and a proposal to provide a response to these threats following the introduction of a Single Fraud investigation Service (SFIS).

1.2 The fraud team was originally created to deal with the recognised threat of fraud within the Housing Benefit (HB) and Council Tax Benefit (CTB) schemes administered by the Council as an agent of the Department for Work and Pensions (DWP). The Team works closely with the DWP's investigators who investigate national benefits such as Job Seekers Allowance and Employment Support Allowance.

1.3 Over the last five years areas reviewed by the fraud team have increased. Investigations into other areas of fraud which affect the authority, such as council tax exemptions, housing and staff fraud are now also undertaken. These investigations are subsidiary to the main work of the fraud team, but are funded entirely through the central government grant (Benefits Admin Grant) and the recovery of sums defrauded.

1.4 In 2010 the Government announced that it would be launching a major review of the existing welfare system. One element of that review was to be the creation of the SFIS to investigate all types of welfare fraud.

The SFIS, under the control of the DWP, will combine the skills, experience and resources that exist within local authorities, DWP and Revenue & Customs to investigate all welfare benefits and credits. Information from the DWP suggests that the SFIS will become operational sometime between 2013 and 2015.

1.5 The effect of this announcement is twofold.

The Benefit Admin Grant, on which the fraud team relies for funding, will be reduced as the welfare investigation role moves from the Council to SFIS.

The creation of SFIS is likely to result in members of the fraud team moving to the DWP during 2015/16.

1.6 In June, the Panel received a report that summarised the key messages contained in the National Fraud Authority "Fighting Fraud Locally" report. The Panel agreed to establish a Working Group (consisting of Cllrs Butler, Churchill & Mitchell) to consider the current risks and implications from the introduction of SFIS and how fraud investigations may be undertaken across the Council from 2015.

2. FINDINGS

2.1 The Working Group has met on three occasions. Whilst the Panel did not set the Group formal terms of reference it considered the following areas.

- What was the real threat of fraud and its cost?
- How could this be evaluated and corroborated?
- How could this be reduced by having a fraud 'presence'?
- What was the cost of that 'presence' in absence of DWP funding?

2.2 Reports to Panel over the last few years have detailed actual fraud identified over a number of areas, both welfare and non-welfare. In addition, reports from a number of government agencies and private sector companies contain estimates of the likely cost of fraud.

Both of these sources have been used to establish the potential fraud risk across a variety of Council services, which the figures below show, may fall between £2.7m & £3.2m.

Source	Fraud Type	Potential loss £'k	
		Min	Max
Cabinet Office	Procurement Fraud	390	650
	Council Tax Fraud (Discounts & Exemptions)	330	560
	Staff Fraud	40	70
DWP/DCLG	Council Tax Support Fraud	210	
Audit Commission/ DCLG	Tenancy Fraud	1800	
HDC records NFA est of fraud: 5%	Rental Deposit	8	
	Housing Waiting List	250 false applications	

2.3 In addition to financial savings, the Working Group also felt that fraud investigations had a number of hidden benefits. These included:

- the deterrent effect of publicising fraud activity which delivers unquantifiable levels of savings.
- Indirect savings from investigations with partners or agencies who work for or with the Council.
- The moral issues of taking a zero tolerance attitude to fraud, linked with the Councils fiduciary duties to protect the public purse.

2.4 The Working Group looked at the current performance of the fraud team based on reported output for 2010/11 and 2011/12, Excluding welfare fraud, as the table below shows, actual recovery across the two years exceeded £450k.

Source	Fraud Type	2010/11	2011/12
		Actual recovery £'k	
Local Data-matching & NFI	} Council Tax Fraud (Discounts	139	0 ^a
Linked to other welfare fraud		5	11
Social Housing: £18k per Property recovered	10/11 = 6 11/12 = 11	108	198
Whistleblowing	10/11 = 5 11/12 = 12	Savings not separately recorded.	
Actual savings identified		252	209

^a. No local data matching work undertaken as no resource available.

2.5 In 2011/2012 the cost of the fraud team to the Council was £341k (This includes salaries of 7 staff, on-costs and all other expenditure). In the same period, income to the Council from the DWP, through the Benefit Admin Grant and subsidy, amounted to £385k. A further £50k was recovered from costs and fines awarded by the Courts. Grants and other income exceed the cost of the service.

The total amount of fraud identified in the period (both welfare and non-welfare) was £703k.

2.6 During 2011/2012, staff resources were allocated 80%/20% to welfare/non-welfare fraud, resulting in fraud recovery across these two area of £494k/£209k.

3. POTENTIAL TO DEAL WITH FUTURE FRAUD RISK

3.1. Up until 2015, the Benefit Admin Grant will continue to fund the work of the fraud team. During this period, investigations into welfare fraud will continue, as at present, to be directed and controlled by the DWP. Resources within the fraud team do not need to be solely used to investigate welfare fraud. The two year period of grace, prior to funding being reduced, allows the fraud team to investigate and establish the level of fraud in non-welfare areas.

3.2. The chart below estimates the potential loss in non-welfare areas, compared with known outcomes.

The figures within the '100% resourcing target' column are best estimates (based on known outcomes and the figures provided within the documents referred to in para 2.2) if resources were concentrated in these areas.

The target column includes both direct and indirect savings to the Council and other agencies (e.g. the Council only retains around 8% of Council Tax collected, with the major beneficiary being the County Council).

Source	Potential loss		Already Identified	100% resourcing target
	Min	Max		
			£ '000	
Procurement Fraud	390	650	---	50
Council Tax Fraud (Discounts/Exemptions)	330	560	11	100
Staff Fraud	40	70	---	25
Council Tax Support Fraud	210		100	100
Tenancy Fraud	1800		198	300
Rental Deposit	8		---	4
Housing Waiting List	250 false applications		---	20 false applications
Fraud losses – actual & potential			309	579

- 3.3. The estimated cost of the fraud team as at 2015 has been calculated and is shown below. The figures have taken into account the likely reduction in fraud team resources through the introduction of SFIS, inflationary increases, the savings noted above and income from other sources/funding streams including partners (who currently receive the benefits from the work of the fraud team but make no contribution towards its costs). It has also been assumed that all resources will be concentrated on investigating non-welfare fraud.

2015/16	£ '000
Expenditure	
Fraud team: Salary, on-costs etc, 5 employees	255
Grants & Other Income	
Revenue raised from direct savings	(50)
Council Tax support scheme	(100)
Cost awards and fines awarded by the Courts	(25)
Partner funding.	(100)
Anticipated surplus	20

The figures above do not include any external funding that the DCLG, National Fraud Authority or the European Union have made available, and for which submissions are in the process of being prepared.

4. NEW AREAS OF WORK

- 4.1. In April this year the National Fraud Authority approached HDC to create a 'Fraud Hub' for Cambridgeshire. This was followed a month later by the Chartered Institute of Housing and DCLG approaching the Council to create a 'Tenancy Fraud Forum' for Cambridgeshire. Both approaches were made due to the innovative approach that the Council takes to combat fraud.

- 4.2. The Fraud Hub and the Tenancy Fraud Forum will require a great deal of work across the County, much of which has already started, and will provide even greater savings across Cambridgeshire as well as HDC.
- 4.3. The fraud team are currently in negotiation with both LGA and the EU Funding Office in Strasbourg to secure funding to create a fraud forum/hub for Cambridgeshire in which HDC will take the lead for a number of partner agencies.

5. CONCLUSIONS

- 5.1 The Working Group have established that the risk of fraud across the Council's service areas is real.
- 5.2 Having in place a corporate counter-fraud resource will provide both effective deterrence and prevention as well as an investigative function. Evidence from past years shows that such activity will certainly provide savings (both direct and in-direct) to the Council and others, but these are difficult to accurately quantify and evaluate.
- 5.3 The Council has the opportunity to take advantage of the current funding arrangements to develop non-welfare fraud areas over the next two years. Using the information gained in that period to assess the fraud service required from April 2015 onwards.

6 RECOMMENDATIONS

It is recommended that:

- 6.1 The Panel acknowledge the work of the fraud team in combating all areas of fraud across Council services.
- 6.2 A proportion of welfare fraud work be re-directed to the DWP from April 2013. The resources freed by this change to be used to develop and investigate non-welfare fraud until March 2015.
- 6.3 A report be presented to the Panel in December 2014 that outlines the actual fraud identified in non-welfare work and proposals for the fraud service from April 2015 onwards.

BACKGROUND INFORMATION

The Financial Cost of Fraud: PKF Forensic Services, 2012
Fighting Fraud Locally: Home Office, 2012
Tackling Fraud and Error in Government: HM Government, 2011.
Protecting the Public Purse: Audit Commission, 2011.
Eliminating Public Sector Fraud: Cabinet Office, 2011.
Navigating Your Way Through Stormy Waters: PWC, 2011

Contact Officers:

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David Harwood, Internal Audit & Risk Manager. ☎ 01480 388115

GLOSSARY OF TERMS.

AC Audit Commission
CIH Chartered Institute for Housing

CIFAS	Credit Industry Fraud Avoidance Service.
CTB	Council Tax Benefit (pre-2013)
CTS	Council Tax Support (post- 2013)
DWP	Department for Work and Pensions
DCLG	Department for Communities & Local Government
HB	Housing Benefit
MBUS	Making Best Use of Stock Team (Agency of CIH)
NFA-	National Fraud Authority
PWC	PriceWaterhouseCooper (Big 4 accountancy firm)
PKF-	PKF (UK) LLP (Accountancy firm. Lead partner with the Centre for Counter Fraud Studies at University of Portsmouth).
SFIS	Single Fraud Investigation Service
'Welfare'	Benefits paid by DWP under the Social Security Admin Act 1992

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

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

1. INTRODUCTION

- 1.1 This report provides
- a summary of the activity of the Benefits Fraud Investigation Team for 2011/12; and
 - the annual review of the whistleblowing policy and guidance and summarises the matters raised in the last year.

BENEFITS FRAUD INVESTIGATION TEAM

2. BACKGROUND

- 2.1 The Council currently pays housing and council tax benefit to over 10,000 residents in the district. In 2011/2012 housing and/or council tax benefit in excess of £43.5m was paid.
- 2.2 The Dept for Work & Pensions (DWP) estimates of the loss¹ due to fraud and error in 2011/12 amounts to 4.4% of the national housing benefit spend. Loss to fraud amounts to an estimated 0.7% of overall national benefit expenditure. If these estimates were applied to the Council's benefit spend it would indicate a potential maximum annual loss at HDC of £1.9m of which £304k would be attributable to fraud . This report only deals with overpayments classified as fraud.
- 2.3 The team undertakes investigation of allegedly fraudulent applications for housing, council tax benefit, council tax exemptions & discounts and housing applications. This work complies with various legislative requirements such as PACE, CPIA, RIPA, CJA, SSAA and the Fraud Act 2006².

¹ **Fraud and Error in the Benefit System: Preliminary 2011/12 Estimates** DWP Website- http://statistics.dwp.gov.uk/asd/asd2/fem/nsfr-final-170512_revised.pdf

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

THE FRAUD TEAM

- 2.4 The team consists of seven staff. All are required to be accredited counter fraud specialists and undergo regular and frequent refresher training in advanced criminal investigations and specialist anti-fraud techniques.
- 2.5 The team undertake over 300 taped interviews with persons suspected of fraud each year. These interviews are conducted at the Council's or DWP offices. They are normally voluntary but on occasion the team are involved in the arrest of suspects and subsequent interviews at police stations
- 2.6 The team conduct their own prosecutions, only instructing external solicitors and barristers to act in the event of trials or more complex cases.
- 2.7 The team acts as the Council's Single Point of Contact for obtaining information from communication providers in according with The Regulatory Investigatory Powers Act 2000.
- 2.8 Revenue raised by the team through government subsidy, fines imposed, costs awards and compensation/recovery orders currently makes the team entirely cost neutral to the authority. In 2011/2012 the Council realised a small surplus from the activities of the fraud team.

3. ACTIVITY & PERFORMANCE 2011/12

- 3.1 Each year the team receives referrals of alleged fraud from a wide variety of sources including the public, council staff, the police and other government agencies. Not all cases are investigated either due to the quality of referrals or due to some reports being deemed as malicious or irrelevant.
- 3.2 The Council subscribes to two Data Matching schemes. A monthly match is conducted with the DWP (Housing Benefit Matching Service) using their own and Revenue and Customs records and a bi-annual exercise is undertaken through the Audit Commissions 'National Fraud Initiative'.
- 3.3 The team also use commercial data matching software. This allows data from a number of Council services to be matched to identify potential fraud and error affecting benefits as well as other Council services.
- 3.4 Approximately 30% of all cases are undertaken in close partnership with investigators from the DWP. The team also

works with the Police, Customs & Borders Agency , HMRC and the NHS on a daily basis. Work is also conducted with a number of Registered Housing Providers.

Reported frauds by year

Year	Referred cases	No of cases accepted for investigation ^a
2009/2010	810	400
2010/2011	1287	463
2011/2012	1235	384

^a Cases which are not selected for investigation may be passed to other agencies or resolved by the relevant HDC Department without the need for a criminal investigation.

Outcomes of investigations

Year	No of cases investigated & closed	Cases Proved	% Success	Value of overpayments recovered ^b
2009/2010	400	277	69%	£520k
2010/2011	463	293	63%	£396k
2011/2012	384	255	66%	£494k

^b Whilst the table above shows the value of overpayments recovered from successful investigations, it does not include the potential future savings that have been made from identifying frauds. The weekly reduction in benefit saved was £12k, which using the DWP estimate of 32 weeks (savings as a result of benefit being reduced or stopped) gives further savings of £384k.

Sanction activity

Year	Cases selected for sanction	Cautions	Administrative penalties	Prosecutions
2009/2010	87	10	42	35
2010/2011	97	23	41	33
2011/2012	93	7	38	48

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

4. NEW WORK AREAS

- 4.1 As well as undertaking investigations into fraudulent benefit claims, the team also investigates fraudulent housing applications received by the Council, council tax discounts and exemptions made by local taxation customers.
- 4.2 From June 2010 the team took on the role of pursuing “hard to collect” debts resulting from benefit overpayments, which are in the main, fraudulent overpayments. Since June 2010, 768 such debts had been passed to the team. Of those debts 484 have been paid, secured or the debtor had entered into agreements to repay a total of £436k. This has created an additional income stream of £9.5k per month and seen the recovery rate of housing benefit debt increase from 29% to 40%.
- 4.3 A pilot scheme with Luminus Group commenced in early 2010 to identify unlawful use of Social Housing has been further expanded to include Muir Group Housing Association and Minster Housing Associations. This work, centred on a joint exchange of data between agencies with investigations being led by the team and has led to the recovery of 22 social housing properties.

WHISTLEBLOWING

5. ANNUAL REVIEW

- 5.1 The whistleblowing policy and guidance are reviewed annually to ensure they continue to be fit for purpose.
- 5.2 The policy was introduced to allow any employee, contractor or member of the public the opportunity to report, without fear of victimisation, a serious or sensitive concern (e.g. a potential fraud or corrupt act, any danger to health and safety or the mistreatment or abuse of any customers, particularly children).
- 5.3 This year’s review of the policy and guidance has been completed by the Internal Audit & Risk Manager. No changes are proposed. Both documents are available on the Council’s website and intranet.
- 5.4 Publicising the policy and guidance in a cost effective way has become more difficult since the demise of DistrictWide. Information has been included in the Council Tax booklet along with publicity on the website. Posters are also displayed in the main civic and operational buildings.

6. MATTERS RAISED

- 6.1 Employees and customers have a number of ways to raise whistleblowing concerns. These include an internet form, a specific email address and a dedicated 24 hour telephone.
- 6.2 32 allegations covering a wide range of areas have been received through the whistleblowing channels in the period December 2011 to November 2012. They fall into the following categories:
- housing and council tax benefit (11)
 - service issues (1)
 - enforcement (4)
 - social housing (6)
 - employee's & elected members (8)
 - referred to an external organisation (2)

17 of the concerns were made anonymously.

- 6.3 All eight allegations made against employees or elected members have been investigated.

Disciplinary action has been taken in one case and no issues of wrongdoing identified in the other seven allegations.

7. RECOMMENDATION

- 7.1 It is recommended that the Panel
- note the work undertaken in respect of benefit fraud
 - note that the annual review of the whistleblowing policy and procedure has been undertaken and that no changes are required to either document.

BACKGROUND INFORMATION

The Social Security Administration Act 1992, as amended (SSAA)

The Fraud Act 2006

Police and Criminal Evidence Act 1984 (PACE)

Criminal Procedures and Investigations Act 1996 (CPIA)

Regulation of Investigatory Powers Act 2002 (RIPA)

ONS Report 12 July 2011 DWP Fraud and Error in the Benefit System

Local Government Acts 1972, as amended

Local Government Finance Act 1992, as amended (LGFA)

Housing Act 1996

HDC : Anti-Fraud and Corruption Strategy

Whistleblowing Policy & Procedure

Whistleblowing allegations received

Contact Officer:

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CORPORATE GOVERNANCE PANEL

12TH DECEMBER 2012

FINAL AUDITORS REPORT – FINAL ACCOUNTS 2011/12 (Report by the Head of Financial Services)

1. PURPOSE

- 1.1 At the conclusion of each audit the external auditor issues an ISA 260 report for the panel to consider. It ensures that the Panel are made aware of any concerns the auditors have, provides their view on “economy, efficiency and effectiveness” and explains any “uncorrected misstatements”.

2. BACKGROUND

- 2.1 The Panel is designated as “those charged with governance”. Members will recall that at the meeting of the 25th September they received a draft ISA 260 that informed them of issues pertaining to the audit of 2011/12 statement of accounts. However, at that time the audit was not complete and once the audit was complete, “those charged with governance” are required to approve the final ISA 260 auditors report.

3. RECEIVING THE AUDITORS REPORT (ISA 260 REPORT)

- 3.1 On the 26th October 2012 the auditors signed the 2011/12 Statement of Accounts and have now issued their final ISA 260 report. This will be presented to the meeting by the Council’s external auditors, PricewaterhouseCoopers LLP and is attached as Annex A.
- 3.2 There have been a number of amendments between the draft ISA 260 that was reported to members in September and the final ISA 260; the two amendments of significance are:
 - **Other accounting issues: Valuation of inventories (Page 14).** Notification that inventories are valued using an approach that is not compliant with the Code of Accounting Practice. However, as the valuation is not material, there is no material misstatement; although it is recommended that management review this policy.

- **Judgements and accounting estimates: Provision for bad debts (page 16)**

Notification that there is “potentially” £0.827m in debt that is irrecoverable because it is more than 5 years old but it is correctly provided for by a bad debt provision. However, the majority of this debt relates to housing benefit and is being recovered by instalments, although over a very long time scale. Recommended that management regularly review “older debts” for that which is recoverable and that which should be written off.

3.3 Following the audit of the 2011/12 Statement of Accounts, the auditors have made 21 separate recommendations and in all respects these have been accepted by management. A detailed action plan is shown at Annex B. With regard to the “journal review”, the first recommendation in Annex B, a review has been undertaken and the conclusions are noted in Annex C.

4. RECOMMENDATIONS

4.1 It is recommended that the Panel:

- approves the final Auditor’s ISA 260 report (Annex A), and
- notes the action plan for dealing with the recommendations made by the external auditor.

BACKGROUND INFORMATION

Final Accounts and Working Papers held in the Accountancy Section

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

Clive Mason, Accountancy Manager
☎ 01480 388157

Action Plan for Recommendations within the Final ISA 260 Audit Report					
Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
Audit approach					
1	6/7	Management override of controls	Review the process for journal authorisation and consider whether adequate procedures are in place to provide assurances that journals made to the ledger are correct and appropriate.	Review the journals undertaken throughout the year and analyse their "aggregate value" to determine if there is an appropriate threshold whereby management consider that segregation of duties should be introduced. The conclusions of this review are shown at Annex C	Completed Re-review November 2013
2	9/10	Property, Plant and Equipment	Review the instructions to the external valuer.	When procuring valuer services for 2012/13 closure, ensure that the instructions given comply with the Code of Practice for Local Government.	February 2013
3	9/10		Maintain a rolling programme of revaluation to ensure all assets are covered over an appropriate period.	The Code of Practice for Local Government permits a rolling programme that can cover up to a 5-year period. A rolling programme will be developed that ensures that all	February 2013

Action Plan for Recommendations within the Final ISA 260 Audit Report

Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
				assets are revalued at least once within this period.	
4	9/10		Ensure all assets of a category of asset are revalued in the same year.	Ensure that the asset register is accurately maintained for asset categorisation. When valuer services are procured, that they value all assets within an asset category.	February 2013
5	9/10		Periodic review for physical verification of assets.	Introduce a 6-monthly verification of a sample of property, plant and equipment.	March 2013
6	9/10		Annual impairment review for all categories of asset.	When valuer services are procured, ensure that an impairment review of all categories of assets is undertaken.	February 2013
7	9/10		Annual review of useful economic lives.	When valuer services are procured, ensure that the economic lives of all categories of assets are reviewed.	February 2013

Action Plan for Recommendations within the Final ISA 260 Audit Report

Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
8	10	Code Changes and IFRS	Develop procedures and working papers to assist in the preparation and audit of the financial statement.	<p>To meet this audit recommendation, the following are to be undertaken:</p> <ul style="list-style-type: none"> • Training on the Statement of Accounts for all Finance Staff. • Training on what constitutes “good working papers”. • Provide budget holder training to ensure that year-end closure processes within departments are efficient and effective. • Conduct a process of “lessons learnt” with finance staff. • Ensure accounts closure working practices reflect materiality. • Review general ledger and financial reporting processes to ensure that information is effectively held within the financial management system (general ledger) and is effectively reported. 	<p>Completed</p> <p>December 2012</p> <p>February 2013</p> <p>November 2012</p> <p>November 2012</p> <p>January 2013</p>

Action Plan for Recommendations within the Final ISA 260 Audit Report

Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
Significant audit and accounting matters					
9	11	Related Party Transactions	Review processes and procedures for the identification of related party transactions.	There have been some recent “statutory” changes to the Register of Interests. It is proposed that a process is put in place that more heavily relies on what members and officers record through this registration.	March 2013
10	12	Segmental Reporting	That one common report is used in the production of financial information for the financial statements.	Reporting arrangements for financial information to support the production of information for the statement of accounts will be reviewed.	March 2013
11	13	Capital Accounting: Valuation of land and buildings	The Authority: <ul style="list-style-type: none"> reviews: their policy for the revaluation of property, plant and equipment and confirms that it is fit for purpose. 	The policy will be reviewed as part of the annual process of reviewing all accounting policies prior to the financial year end. There will be a report to the March Panel on Policies	March 2013

Action Plan for Recommendations within the Final ISA 260 Audit Report

Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
				for the 2012/13 closure.	
---	13		<ul style="list-style-type: none"> maintains a rolling programme for the revaluation of assets that ensures that the financial statements are free from material misstatement. 	A rolling programme of revaluation will be introduced (see Rec 3 above).	February 2013
---	13		<ul style="list-style-type: none"> Provides adequate instructions to the external valuer about the properties it requires revaluations for. 	The instructions to valuers will be reviewed and enhanced where necessary (see Rec 2 above).	February 2013
12	13		<ul style="list-style-type: none"> Ensures that all assets within a category are revalued. 	The assets categorisation will be agreed with the external auditors and when instructions are given to the valuer, all similarly categorised assets will be reviewed.	February 2013
13	13		<ul style="list-style-type: none"> Requests that the valuer performs work to ensure that the rest of the portfolio is not materially misstated. 	This will be incorporated into the valuer's instructions (including an impairment review).	February 2013
14	13		<ul style="list-style-type: none"> Requests that the valuer is explicit of the need to set out their methodology, key 	This will be incorporated into the valuers instructions	February 2013

Action Plan for Recommendations within the Final ISA 260 Audit Report

Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
			assumptions, independence and professional requirements.		
15	13		<ul style="list-style-type: none"> Reviews the information received from the external valuer in detail and confirms that it complies with the instructions and is complete before processing within the financial statements. 	A working paper will be developed that ensures that information received complies with the valuer's instructions.	April 2013
16	13	Capital Accounting: Valuation of vehicles, plant and equipment	An annual impairment review be undertaken to establish if these assets remain operational or reflective of their historic cost valuation.	All such assets will be reviewed to ensure they remain operational and that their valuation is still valid.	April 2013
---	13/14		Undertake a physical verification of these assets to ensure their existence.	See Rec 5.	March 2013
---	14	Capital Accounting: Depreciation and amortisation	Undertake an annual review of useful economic lives to ensure that they remain appropriate for the asset concerned.	See Rec 7.	February 2013

Action Plan for Recommendations within the Final ISA 260 Audit Report

Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
17	14	Valuation of Inventories	The Authority is using a non-compliant approach to valuing inventories, this policy should be reviewed.	Review the instructions to the Council's stock assessor to ensure that the valuation undertaken is compliant with the Code of Practice. It should be noted that as the 2011/12 valuation is not material, it will not be necessary to "restate".	February 2013
18	14	Estimated economic useful lives of property, plant and equipment and intangibles.	The Authority should continually reviews its policy of not depreciating additions and enhancements in the year of acquisition.	This will be reviewed as part of the annual review of policies, with the development of an accounts closure working paper that will demonstrate the current policy does not materially misstate the statement of accounts.	March 2013
19	16	Provision for bad debts.	The Authority should: <ul style="list-style-type: none"> • Introduce a policy for the impairment of accounts receivable (bad debt provision). 	A policy of impairment will be developed and implemented.	December 2012
20	16		<ul style="list-style-type: none"> • Review and update as necessary the basis for providing for bad debts. 	The basis of calculating bad debts will be reviewed to ensure that it is reflective of both the debt type and age profile.	December 2012

Action Plan for Recommendations within the Final ISA 260 Audit Report

Rec Number	Page Number	Section	Recommendation	Proposed Action	Deadline for Completion
21	16		<ul style="list-style-type: none"> Undertake a regular review of "older debts" to ensure that they remain recoverable. 	A 6-monthly review of "old debts" will be undertaken to ensure that they remain recoverable.	December 2012

REVIEW OF JOURNAL AUTHORISATION

1.0 PURPOSE

- 1.1 To undertake a management review of the use of accounting journals and to determine if the current authorisation framework is adequate.

2.0 CURRENT JOURNAL AUTHORISATION FRAMEWORK

- 2.1 The current journal authorisation process is that journals, irrespective of value, can be produced and posted to the general ledger by all officers within Accountancy Services, regardless of their seniority, qualifications or experience. This approach has evolved because management consider there is a “low risk” of the journals materially affecting the accounts or providing an opportunity for covering up a fraud:

- All staff are suitably qualified and experienced and therefore understand the purpose of accounting journals and the need for accuracy.
- The accountancy team provides a comprehensive budget monitoring process that regularly consults with member and budget managers/holders; therefore the risk of an erroneous journal not being identified is considered minimal.
- The finance system, of which journal processing is a constituent part, is subject to regular audit review; either by external audit as part of their programme of systems review or by internal audit as part of their continuous auditing programme.
- Whilst an incorrect journal could be used to cover up a fraud on a temporary basis this would require collusion between the accountant and another employee with access to relevant systems. Any particularly vulnerable areas will have additional controls.

3.0 USE OF JOURNALS

- 3.1 During 2011/12 there were 2,484 journal sheets processed and these were a mix of “cash” and “general ledger” journals (856 and 1,628 respectively).
- 3.2 Cash journals are an integral part of the Council’s bank reconciliation process. The control around their use is effectively “self-regulated” because if they were used incorrectly, the general ledger would not reconcile to the bank account (i.e. there would be an imbalance). In addition, there is also a suite of controls surrounding the authorisation of the bank reconciliation that provides management with further assurance in the processes involving cash management.

- 3.3 General Ledger journals are used for either in-year or year-end budgetary control/financial reporting activity; they are a business critical process that aids accurate financial management.
- 3.4 In any financial year, there are 13 accounting periods; Periods 1 to 12 being the main accounting period of the year and Period 13 being the period after the financial year end.
- 3.5 Table 1 below shows that there are, in total, a higher number of journals processed during the financial year but their average value is significantly less than those processed during accounts closure. The main reason for this is because during accounts closure the Council has to make statutory accounting adjustments and these can be of material value.

Table 1	Number and Value of General Ledger Journal Sheets Processed in 2011/12			
	Number of Journals	Aggregate Value £m	Average Value per Journal £000	Net-Value Range of Journals £m
Periods 1 to 12	1,131	495	438	0 to 57
Period 13	497	444	894	0 to 88
All Periods	1,628	940	578	0 to 88

4.0 REVIEW OF POTENTIAL JOURNAL THRESHOLDS

Cash Journals

- 4.1 As noted in paragraph 3.2, the cash journals are an integral part of the control framework within the bank reconciliation process. As such it is considered that there is no advantage in introducing further journal control.

General Ledger Journals

- 4.2 Considering the findings in Table 1, any assessment of journal thresholds should be centred on the requirements of accounts closure. One of the main thresholds used by external audit in determining whether the statements of accounts gives a “true and fair view” is whether the accounts are “materially misstated”. It is therefore suggested that this is the primary threshold to be tested, by way of example for 2011/12 this would have been in the region of £0.850m.
- 4.3 The number of journal sheets with a value greater than the average of £0.850m is 88; this represents only 5.4% of all general ledger journals.
- 4.4 If 10% sensitivity was applied to the £0.850 materiality threshold, Table 2 clearly shows that there would be little or no change in the number of

journal sheets requiring authorisation. Therefore, £0.850m represents a fair threshold.

Table 2	Sensitivity Analysis of 10% Change in £0.820m Materiality "Journal" Threshold			
	Number of Journals	Decrease in Number of Journals	Increase in Number of Journals	Comments
10% increase to £0.935m	87	1	0	Marginal Change
10% decrease to £0.765m	88	0	0	No Change

4.5 Of the 88 journal sheets that exceed the £0.850m threshold, 25 (28.4%) are system generated (i.e. by feeder systems such as payroll and cash receipting) and 63 (71.6%) are generated by officers within the Accountancy Team.

4.6 Covering all of 2011/12, the range in value of journal sheets currently self-authorized by officers within the Accountancy Team is as follows:

- Principal Accountant or higher: £ 2m to £245m
- Senior Accountant: £ 50m to £177m
- Accountancy Assistant: £ 1m to £120m

4.7 Of the three levels of officer within the Accountancy Team, the Principal and Senior Accountants are expected to have considerable finance experience prior to appointment, whereas Accountancy Assistants could have limited finance experience (which might not be specifically accountancy related).

4.8 It is therefore considered that there is a potential risk in permitting Accountancy Assistants to authorise journals that exceed the materiality threshold and thus the external auditors "true and fair view" conclusion on the statement of accounts.

4.9 By introducing an authorisation threshold of £0.850m for this level of accountant would award a fair level of protection for both the officers concerned and the Council without introducing a control that would negate operational efficiency as, based on 2011/12, only 18 journal sheets would be subject to this secondary authorisation (this represents 1.1% of all general ledger journals processed in 2011/12).

5. SUMMARY OF REVISED JOURNAL AUTHORISATION THRESHOLDS

For 2012/13 it is intended that:

1. All cash journals supporting the bank reconciliation do not require secondary authorisation.

2. All general ledger journals with a net value:
- exceeding £0.850m that are produced by:
 - an Accountancy Assistant, are to be authorised by a Principal Accountant or more senior officer within the Accountancy Team.
 - a Senior Accountant or more senior officer are delegated to self-authorise.
 - below £0.850m, Accountancy Team officers are delegated to self-authorise.

A review will be undertaken in Autumn 2013 in the light of the audit of the accounts to ensure that this approach continues to be reasonable.

Government and Public Sector
Huntingdonshire
District Council

Report to those charged with
governance (ISA 260 (UK&I))

September 2012

2011/12 Audit



Corporate Governance Panel
Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
PE29 3TN

18 October 2012

Dear Members

This report updates our ISA 260 report which you considered at your meeting on 25 September 2012. The purpose of this report is as described in our earlier report.

The updates to our report are highlighted in **bold blue** type in the pages that follow.

We thank the management and staff of the Council for their co-operation and assistance during the course of our work.

Yours faithfully

PricewaterhouseCoopers LLP

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Contents

<i>Executive summary</i>	5
<i>Audit approach</i>	6
<i>Significant audit and accounting matters</i>	11
<i>Appendices</i>	20
Audit reports issued in 2011/12	21
Letter of representation	22

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party

Executive summary

The purpose of this report

Under the Auditing Practices Board’s International Auditing Standard (UK and Ireland) 260 (ISA (UK&I) 260) - “Communication of audit matters with those charged with governance” we are required to report to those charged with governance on the significant findings from our audit before giving our audit opinion on the accounts of Huntingdonshire District Council (‘the Authority’). As agreed with you, we consider that “those charged with governance”, at the Authority, are the Corporate Governance Panel.

This letter contains the significant matters we wish to report to you arising from all aspects of our audit programme of work in accordance with ISA (UK&I) 260.

Our audit work during the year was performed in accordance with the plan that we presented to you in June 2012. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate. A list of these reports is included at Appendix 1 to this letter.

Significant matters

We have set out below what we consider to be the most significant matters that we have discussed with management during the course of our work and which are included within this report:

- Preparation of the financial statements, including the quality of working papers provided to audit – We are pleased to report that the Authority has made good progress in preparing a set of financial statements that are compliant with IFRS and the Code. Whilst noting the real improvements made this year by the Authority, we have continued to experience some difficulties when reviewing the Authority’s working papers which support the transactions included in the financial statements. As a result we have encountered delays and incurred additional time in auditing some areas of the accounts. Management has recognised the need for further development and review in advance of the preparation of the 2012/13 financial statement and as result we will discuss with management some recommendations to develop further their reporting arrangements in future years.
- Capital accounting – With the introduction of IFRS in 2010/11, this was the area of the accounts that created the most significant accounting challenges for the Council in 2010/11. We again note there have been improvements in the Authority’s maintenance of capital accounting records and the accounting for associated transactions, but we have continued to identify weaknesses in some of the Authority’s processes for capital accounting. We will again raise recommendations for management to develop further in this area.

Further details of the above matters have been included in the “*significant audit and accounting matters*” section starting on page 12.

We **discussed** the matters contained within this letter with the Corporate Governance Panel on 25 September 2012.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We would also like to take this opportunity to express our thanks for the co-operation and assistance we have received from the management and staff of the Authority throughout our work.

Audit approach

Our risk assessment forms the basis for planning and guiding all subsequent audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of controls implemented by management. Risks are categorised as follows:

● <i>Significant</i>	Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year.
● <i>Elevated</i>	Although not considered significant, the nature of the balance/area requires specific consideration.
● <i>Normal</i>	We perform standard audit procedures to address normal risks in all other material financial statement line items.

Financial Statements risks

Risk	Significant / elevated risk	Reason for risk identification	Audit approach and results
Management override of controls	● Significant	<p>The primary responsibility for the detection of fraud rests with management.</p> <p>Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of the organisation’s policies, aims and objectives and to manage the risks facing it; this includes the risk of fraud.</p> <p>Our audit is designed to provide reasonable assurance that the 2011/12 Accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent.</p> <p>We consider the manipulation of financial results through the use of journals and management estimates, such as accruals, as significant fraud risks.</p>	<p>We have performed procedures to:</p> <ul style="list-style-type: none"> • Understand and evaluate controls relating to income and expenditure recognition. • Consider the accounting policies adopted by the Authority, considering any changes in policy in the year with professional scepticism, and subjecting income and expenditure to the appropriate level of testing to identify any material misstatement. • Carry out cut off testing on expenditure at year end to ensure that expenditure has been recorded in the correct financial year. • Test expenditure invoices to ensure they have been correctly classified in the financial statements as either revenue or capital expenditure. • Test the appropriateness of journal entries, focusing on a risk basis on journals affecting the reported outturn for the year. • Review accounting estimates for bias and evaluate whether circumstances producing any bias represent a risk of material misstatement due to fraud.

			<ul style="list-style-type: none"> • Evaluate the business rationale underlying significant transactions. • Carry out the required certification work in respect of the Housing and Council Tax Benefit Subsidy for the year. • Incorporate an element of ‘unpredictability’ into our procedures. <p>We also used our work on income and expenditure recognition set out below to help address the risk of material misstatement caused by management override of controls.</p> <p>The results of our audit procedures did not identify any significant control deficiencies or material misstatements, or evidence of material management bias in reporting.</p> <p>We do however note that currently journals are not subject to formal review and authorisation by a suitable member of the finance department. We recommend that management review the process for journal authorisation and consider whether adequate procedures are in place to provide assurances that journals made to the ledger are correct and appropriate, particularly those journals deemed to be higher risk.</p> <p>Our work on the Authority’s significant accounting estimates has been summarised in the significant audit and accounting issues section of this report on page 15.</p> <p>At the date of writing this report we are in the process of finalising our review procedures, and will therefore provide the panel with a verbal update on 25 September 2012 of any subsequent findings where relevant. All review procedures have now been completed and there are no further matters to report in this regard other than noted throughout this report.</p>
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<p>Recognition of income and expenditure</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">Significant</p>	<p>We consider the risk of material misstatement in relation to revenue recognition, and because of the nature of local authorities we consider the risk of material misstatement in relation to expenditure recognition as well.</p> <p>There is a risk that the Authority could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported income and expenditure position.</p> <p>Due to their nature, we do not consider the receipt of council tax, national non domestic rates, financing income or revenue support grant to be a significant risk and these income streams are therefore excluded from this category.</p> <p>The Authority is likely to be experiencing increased pressures on many of its budgets as a result of the recent economic conditions. Budget holders may feel under pressure to try to push costs into future periods, or to miscode expenditure to make use of resources intended for different purposes.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • We have obtained an understanding of the controls over the key revenue and expenditure streams. • We have evaluated and tested the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting. • We have also performed detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk, including carrying out cut-off testing on expenditure at year end to ensure that expenditure has been recorded in the correct financial year. • We have carried out certification of government grants in accordance with the Audit Commission’s requirements, including the Housing and Council Tax Benefits return. This work is currently underway <p>The results of our audit procedures have not identified any significant control deficiencies or material misstatement.</p> <p>Our work on the Authority’s significant accounting estimates has been summarised in the significant audit and accounting issues section of this report on page 15.</p> <p>Our work on management override of controls, including our review of journals has been summarised above.</p> <p>At the date of writing this report we are in the process of finalising our review procedures, and will therefore provide the panel with a verbal update on 25 September 2012 of any subsequent findings where relevant. All review procedures have now been completed and there are no</p>
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			<p>matters that we wish to bring to your attention in relation to the recognition of income and expenditure.</p>
<p>Property, Plant and Equipment</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">Significant</p>	<p>The accounting for property, plant and equipment is complex and can often result in various aspects of the financial statements being misstated due to the entries required under capital accounting.</p> <p>In the 2010/11 “Report to Those Charged with Governance (ISA 260 (UK&I))”, we reported that several issues had been identified regarding the accounting for property valuations and depreciation/ amortisation of property plant and equipment:</p> <p>Valuations</p> <p>Accounting entries for revaluations and impairments were not correctly accounted for. There is therefore a risk that the carrying values in the financial statements may be materially misstated.</p> <p>Depreciation/Amortisation</p> <p>We have identified several issues in relation to depreciation/ amortisation including:</p> <ul style="list-style-type: none"> • Inconsistent use of useful economic lives; • Inconsistent application of depreciation/amortisation policy to additions and disposals; and • Incorrect calculation of the difference in historic cost depreciation and carrying value depreciation for revalued assets. <p>There is therefore a risk that these reserves and the depreciation charges in the comprehensive income and expenditure statement may be materially misstated.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • We have understood and evaluated the processes the Authority has put in place regarding accounting for property valuations and depreciation. In doing so we have considered how the Authority has responded to the issues in 2010/11 to assess the risk that these don’t recur in the 2011/12 financial statements. • We have tested the accounting entries made in relation to revaluations and impairments. • We have audited the Authority’s approach to the application of depreciation in the 2011/12 accounts to assess whether a consistent approach has been taken and tested the calculation of depreciation applied in the accounts. <p>Our audit procedures did not identify any material misstatement, however we have identified several issues with the processes currently adopted by the Authority including:</p> <ul style="list-style-type: none"> • Adequate instructions to the external valuer on properties to be reviewed for the financial year; • Maintaining a rolling programme of revaluation to ensure all assets are covered over an appropriate period; • Ensuring all assets of a category of assets are revalued in the same year in accordance with the Code of Practice and IFRS requirements; • Periodic review for physical verification of assets; • Annual impairment review for all categories of assets; and • Annual review of useful economic lives. <p>The results of our procedures and key outstanding matters have been</p>

			detailed in the significant audit and accounting issues section of this report on page 12.
Code Changes and IFRS	<p style="text-align: center;">●</p> <p style="text-align: center;">Elevated</p>	<p>In 2010/11 the Authority struggled to meet the requirements of IFRS in producing its originally submitted 2010/11 financial statements. As a result of the failings in the Authority’s financial accounting arrangements the quality of the financial statements produced and presented to us for audit were poor.</p> <p>As a result of the significant issues encountered in obtaining sufficient reliable supporting information from the Authority the audit of 2011/12 was significantly delayed. Management have sought to strengthen the financial accounting arrangements at the Authority and brought in additional resource to assist with producing the financial statements.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Prior to commencing our final audit, the Managing Director Resources signed the draft 2011/12 financial statements, as required, and confirmed to us that he was happy with the quality of the draft accounts and that all the supporting documentation and evidence was complete and accurate for our review. • We have undertaken a detailed review of the disclosures and format of the financial statements to ensure that they comply with the disclosure requirements of the Code. <p>Our audit of the financial statements has identified that the Authority has made good progress in the preparation of the financial statements in comparison to the prior year.</p> <p>We do however note that during the course of the audit we have continued to encounter some difficulties in the standard of working papers which support the figures included in the financial statements and would recommend that the Authority continues to develop procedures and working papers to assist in the preparation and audit of the financial statements. Further information has been provided on page 13.</p>

Significant audit and accounting matters

ISA (UK&I) 260 requires us to communicate to you relevant matters relating to the audit of the financial statements sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- Review of the adequacy of the Authority's impairment for doubtful debt; **We have now completed our audit work in this area. Our findings have been summarised in the judgements and accounting estimates section of this report on page 16.**
- Response from the Authority's external valuer in relation to the circumstances surrounding two items revalued during the financial year; **We have now completed our audit work in this area. Our findings have been summarised in the judgements and accounting estimates section of this report on page 15.**
- Final review by our internal PwC valuation expert on the work of the Authority's valuer; **We have now completed our audit work in this area. Our findings have been summarised in the judgements and accounting estimates section of this report on page 15.**
- Receipt of the Authority's work on the physical verification of infrastructure and intangible assets; **We have now completed our audit work in this area.**
- We have completed our initial review of the Authority's related party transactions disclosure within the financial statements and have raised some queries which management are reviewing. We should note that if the results of this work identify any omissions in the disclosure then we will be required under ISAs to report this as a significant weakness to the Corporate Governance Panel; **We have now completed our audit work in this area. We identified some related party transactions that had not originally been disclosed to us or included in the financial statements. We have carried out our required audit work on these new items and have no concerns to raise regarding the transactions themselves, and they have now been properly included in the final accounts. Identification and approval of related party transactions is an important area of control, and as such we have recommended that management review their procedures in this area for future years.**
- Receipt of minor outstanding items relating to income, debtors and grant conditions; **We have now completed our audit work in this area.**
- Final review of the movement in reserves statement; **We have now completed our audit work in this area.**
- Review of the cash flow statement and corresponding notes; **We have now completed our audit work in this area.**
- Review of some of the disclosure notes included throughout the financial statements; **We have now completed our audit work in this area.**
- Internal quality review procedures, including partner and manager review; **We have now completed our audit work in this area.**

- Receipt and review of a final set of the Statement of Accounts and Annual Governance Statement incorporating all adjustments; **We have now completed our audit work in this area.**
- Approval of the financial statements and letters of representation; and
- Completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the financial statements and their approval by those charged with governance we expect to issue an unqualified audit opinion. Due to the number of outstanding matters we note that there is a risk to the achievement of the submission deadline of 28 September and we envisage finalisation taking place in early October.

As part of our work on the Statement of Accounts we are also required to examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion stating in our view whether they are consistent with the Statement of Accounts. The submission deadline for this work is 5 October 2012, one week later than the deadline for the financial statements. At the time of writing this report our work on this is in progress. **We have now completed our audit work in this area. Our initial review of the WGA for 2011/12 identified some internal inconsistencies within the Property, Plant and Equipment schedule. Management have subsequently updated this and the WGA consistency schedule will be signed alongside the financial statements.**

Accounting issues

We are required to report to you our view on significant qualitative aspects of the Authority's accounting practices, including its accounting policies, accounting estimates and financial statement disclosures. We identified the following matters during the course of our audit work:

Preparation of the financial statements

In 2010/11 the Authority struggled to meet the requirements of IFRS in producing its originally submitted 2010/11 financial statements. As a result of the failings in the Authority's financial accounting arrangements the quality of the financial statements produced and presented to us for audit were poor.

We are pleased to report that the Authority has made good progress in preparing a set of draft financial statements suitable for audit in 2011/12, which, given the difficulties encountered in 2010/11, is an achievement. We are also pleased to note that the audit adjustments arising from our procedures on the financial statements have been limited and all items identified have been immaterial and adjusted by management.

We have however continued to encounter some lower level difficulties with obtaining adequate working papers which support the figures included in the financial statements, which has led to some delays and additional work by both management and ourselves.

During our review of the financial statements we identified a difference between the trial balance and the amount disclosed within the financial statements of £82k. Management have been investigating the difference and consider that this is due to using two different types of reports during the accounts preparation process; however the correcting adjustments for the difference have not been identified. As the amount is not material to the financial statements we have noted this for information only and recommend that management continue to review the process for preparing the financial statements and ensure that only one, reliable source of information is used as a base for collating the financial statements.

We understand that the new accountancy manager has already identified a number of areas for improvement and will be undertaking a full review of the financial statements and working papers in advance of the 2012/13 closedown process to ensure that these are fit for purpose.

Capital Accounting

In the 2010/11 “Report to Those Charged with Governance (ISA 260 (UK&I))”, we reported that several issues had been identified regarding the accounting for property valuations and depreciation/ amortisation of property plant and equipment and as such we included this as a significant risk in our audit plan for 2011/12 as set out on page 9.

We have performed audit procedures to ensure that the financial statements are free from material misstatement, and have noted real improvements in 2011/12. Although we acknowledge the progress management has made in advancing the maintenance of the Authority’s capital accounting records we have however continued to identify some weaknesses in the processes currently adopted by management which we have summarised below.

Valuation of land and buildings and investment property

The Authority’s accounting policy for land and building assets states that professional valuations will be obtained at least every five years and that in the intervening years there will be regard to the movement in property prices and any other factors that may indicate a significant difference between values in the financial statements and current values indicating the need for additional steps to ensure that values in the financial statements are not materially misstated.

In 2011/12 the Authority obtained updated valuations for assets where there had been significant expenditure incurred during the year and processed these adjustments in the financial statements. Whilst we are satisfied that the valuations associated with these assets are reasonable, management did not consider the IFRS requirement that all assets of a category (for example leisure centres) should also be considered for revaluation when one asset from that category is revalued.

In addition, for assets revalued by the Authority, management did not obtain from the external valuer a view on whether there was any material movement in the remainder of the portfolio until requested by the audit team.

We recommend that the Authority:

- Reviews their policy for the revaluation of property, plant and equipment and confirms that it is fit for purpose and maintains a rolling programme for the revaluation of assets that ensures that the financial statements are free from material misstatement;
- Provides adequate instructions to the external valuer about the properties it requires revaluations for, ensuring that all assets within a category are revalued and a request is made that the valuer performs work to ensure that the rest of the portfolio is not materially misstated. This should also be explicit of the need for the valuer to set out their methodology, key assumptions, independence and professional requirements; and
- Reviews the information received from the external valuer in detail and confirms that it complies with the instructions and is complete before processing within the financial statements.

Valuation of vehicles, plant and equipment

The Authority’s accounting policy states that vehicles, plant and equipment are held at historic cost in accordance with the requirements of the Code and IFRS. Our audit procedures have identified that management have not performed an annual assessment to confirm if an impairment review is required.

We have also identified that the Authority does not have a formal process in place for the physical verification of assets. Without procedures in place to perform periodic reviews there is a risk that the Authority’s balance sheet is overstated due to disposals within services not reported to finance (where they do not result in proceeds being received), or not identifying items no longer in use. Failing to conduct physical verifications also increases the risk of fraud through theft.

Following our audit procedures, management have completed a review of existence and impairment by asking budget holders to confirm that assets within their service department remain in use. At the time of writing this

report our audit work is substantially complete, however we have recently received supporting evidence for £1.6 million of infrastructure assets which we are in the process of reviewing. In addition management are currently finalising the exercise for intangible assets, which once complete we will need to undertake audit procedures on. We will provide the Corporate Governance Panel with a verbal update at the meeting on 25 September 2012.

We have now completed our audit work in this area. We have not identified any material misstatements as part of the procedures performed.

Depreciation and amortisation

Our audit procedures on depreciation and amortisation identified that management do not perform an annual review of useful economic lives for continued appropriateness. Assets included in the report from the external valuer are assigned a remaining asset life, however for all other applicable property, plant and equipment and intangibles an assessment is not undertaken. There is therefore a risk that these reserves and the depreciation charges in the comprehensive income and expenditure statement may be materially misstated.

The Authority may wish to consider performing a combined exercise annually which covers physical verification, assessment of fair value/impairment and appropriateness of remaining asset life.

Other accounting issues

Heritage Assets

FRS 30, Heritage Assets is required for first time adoption in the 2011/12 Statement of Accounts. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held principally for their contribution to knowledge and culture. The Authority has undertaken an exercise to identify all actual and potential heritage assets and have included in their financial statements one asset at its insurance value of £65k. Following our audit procedures an additional £33k of assets has been identified, however due to their trivial nature and value no adjustment has been proposed for these within the financial statements. They have however been disclosed within the notes to the financial statements.

We have considered the adequacy and completeness of the assessment undertaken by management and have no matters that we wish to bring to your attention.

Valuation of inventories

Throughout the course of our audit we identified that management are valuing inventories using a methodology which is not in compliance with the Code (Last in first out). The value of stock is not material (2011/12: £185k) and as such we do not perceive there to be a risk of material misstatement. We do however recommend that management review this policy and ensure that in future periods stock is valued in accordance with the Code.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the financial statements. We will ask the Corporate Governance Panel to represent to us that they have considered the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements.

Judgments and accounting estimates

The following significant judgments or accounting estimates were used in the preparation of the financial statements:

- **Estimated economic useful lives of property, plant and equipment and intangible assets:** Our audit work has not highlighted any material misstatement in relation to depreciation. We have however noted the following:
 - The Authority does not depreciate additions and enhancements in the year of acquisition. The Code specifies, "Where balances are relatively stable (i.e. no substantial acquisitions, disposals or movements in fair value in the year), an Authority might be able to justify a simpler approach,

such as using opening balances. Thus, for most authorities, an acceptable hybrid approach will be the consistent use of either opening or closing balances, supported occasionally (but as necessary) by exceptional calculations based on weighted averages for major acquisitions or disposals taking place towards the start or end of the year". We confirmed through audit procedures that the impact of depreciating in the year of acquisition is not material to the financial statements. We recommend that management ensures that they continue to review the reasonableness of applying this policy on an annual basis.

- It has been noted through the audit work performed that management does not maintain an up to date schedule detailing the useful economic lives for each asset on the fixed asset register. Our review of asset lives did not identify any significant issues, however we have raised this with management for them to review in the future. We therefore recommended that management should perform an annual review of useful economic lives at each balance sheet date as required by IFRS and the Code to ensure all assets are being appropriately depreciated. This could also be performed in conjunction with an annual existence and impairment review.
- We have not identified any matters in relation to the componentisation of assets that we wish to bring to your attention.
- **Calculation of pension fund assets and liability:** Management has utilised the information provided from the actuary which is the fundamental basis of this estimation. We have performed additional work to ensure accurate disclosure within the Financial Statements, the fundamental assumptions are reasonable and the asset allocation is reasonable. We are satisfied that the estimation is reasonable within the Financial Statements.
- **Valuation and impairment of property, plant and equipment:** We have set out the Authority's processes for the valuation of property, plant and equipment on page 13, including detailing our predominant findings from our audit procedures.

In accordance with its accounting policy, the Authority has revalued a small proportion of its PPE assets for 2011/12. For assets not valued during 2011/12, a review of fair values as at 1 April 2012 has resulted in no changes to property valuations being processed within the 2011/12 financial statements. In estimating the fair value to be included in the 2011/12 financial statements, management has utilised the expertise of an external valuer.

In response to the requirements of the International Standards on Auditing, we have reviewed the methodology used by management and engaged our internal valuation team to:

- Review the assumptions applied in forming the valuation in the 2011/12 financial statements;
- Assess whether the valuation method is consistent with the Code requirements; and
- Confirm that the external valuers have the appropriate qualifications for completing the valuations.

As set out on page 13 we identified that individual assets had been revalued during the year with no assessment being undertaken on the remaining assets in those categories, as is required by the Code and IFRS. We have understood the reasons for the revaluation of each asset and performed additional procedures to confirm that the remaining assets within those categories are not materially misstated. At the time of writing this report we are waiting on a response from the Authority's external valuer to provide some additional assurances over the valuation of two assets in particular, one being the St Ivo Leisure Centre, which will help conclude on this work.

We also note that we will need final review comments from our internal expert on the valuations performed by the Authority's external valuer, once this data has all been received.

We will provide the Corporate Governance Panel with a verbal update at the meeting on 25 September 2012. **We have now completed our audit work in this area. Our procedures provided us**

with sufficient assurances that the financial statements are free from material misstatement.

- **Valuation and impairment of investment property:** The Code of practice on Local Authority Accounting requires the use of the fair value model for investment properties. The fair value must reflect market conditions at the balance sheet date and thus annual revaluations are necessary unless the Authority can demonstrate that the carrying value is not materially different from the fair value at that date.

In estimating the fair value to be included in the 2011/12 financial statements, management has utilised the expertise of an external valuer.

In response to the requirements of the International Standards on Auditing, we have reviewed the methodology used by management and engaged our internal valuation team to:

- Review the assumptions applied in forming the valuation in the 2011/12 financial statements;
- Assess whether the valuation method is consistent with the Code requirements; and
- Confirm that the external valuers have the appropriate qualifications for completing the valuations.

At the time of writing this report we are awaiting final review comments from our internal expert on the valuations performed by the Authority's external valuer. We will provide the Corporate Governance Panel with a verbal update at the meeting on 25 September 2012. **We have now completed our audit work in this area. Our procedures provided us with sufficient assurances that the financial statements are free from material misstatement.**

- **Valuation and impairment of other non-current assets:** Review of valuations and impairment work performed by the Authority and their valuers identified that non building/land assets have not been considered for impairment. This has been considered in respect of the useful lives assigned to the assets, to determine whether the lives used are appropriate to ensure impairment in this respect would not be required. We enquired of the Authority as to whether they had carried out any kind of review on these assets to confirm whether they were still in existence/still in working conditions and identified that no such review had been performed. As set out on page 14, at the time of writing this report management is in the process of undertaking an existence exercise in conjunction with budget holders to confirm that the financial statements are not materially misstated. We will provide the Corporate Governance Panel with a verbal update at the meeting on 25 September 2012. **We have now completed our audit work in this area. Our procedures provided us with sufficient assurances that the financial statements are free from material misstatement.**
- **Provision for bad debts:** The Authority has recognised a provision for bad debts within the financial statements against Council Tax, National Non-Domestic Rates, sundry debtors, court costs and rent allowances. At the time of writing this report our audit work is still in progress, however we have noted the following to date:
 - There is no documented policy for the impairment of accounts receivable. We recommend that this is documented and formally approved.
 - Whilst management have based their provision for housing debts on CIPFA guidance, there is limited evidence to support the level of provision on the remaining categories of aged debt. We recommend that management should review their basis for providing for bad debts, incorporating the results of past events, such as recovery and write off rates to support the level of provision included in the financial statements.
 - Our audit procedures have identified that there is more than £1 million of debt greater than 12 months old which has been provided for. At the time of writing this report we are in the process of analysing with management the movement in the provision to assess whether there is a significant proportion of the provision for which there has been no movement for a number of years and would therefore indicate the need to potentially write the debt off.

We do however note that our work to date indicates that any adjustments to the financial statements proposed are likely to relate to the write off of existing debts fully provided for, and as such the impact

would be to reduce debtors and the provision included in debtors note only within the financial statements.

We will provide the Corporate Governance Panel with a verbal update at the meeting on 25 September 2012. **We have now completed our audit work in this area. We have identified that there is potentially £827k of debt that is irrecoverable, with a large proportion of this debt being more than 5 years old. This debt is, however, correctly fully provided for in the financial statements.**

We note that much of the debt relates to housing benefit where in the majority of cases the debt is being repaid by instalments, sometimes over a very long time scale. There are still however a high proportion of debts for which there has been no or minimal movement.

We recommend that management undertake on a regular basis a review of their older debts and determine those which are potentially recoverable (albeit where it is appropriate to continue to provide for all or most of the balance in the accounts) and those which should be formally written off.

- **Accruals and provisions:** We have performed audit procedures over the balances the Authority is disclosing within the financial statements. Our work has not identified any significant estimates.

Management representations

The final draft of the representation letter that we are requesting management and those charged with governance to sign is attached in Appendix 2.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “*Communication with those charged with governance*”, UK Ethical Standard 1 (Revised) “*Integrity, objectivity and independence*” and UK Ethical Standard 5 (Revised) “*Non-audit services provided to audited entities*” issued by the UK Auditing Practices Board. Together these require that we communicate at least annually with you regarding all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Company, its directors and senior management and its affiliates (“the Group”) that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers’ teams whose work we intend to use when forming our opinion on the truth and fairness of the financial statements.

Relationships between PwC and the Authority

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the financial statements is undertaken in accordance with the UK Firm's internal policies. The audit engagement is subject to an independent partner review of all significant judgements taken, including our reporting to the Corporate Governance Panel. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

We have provided no non-audit services to the Authority.

Fees

Our audit fees were reported to the Corporate Governance Panel in June 2012. On page 6 we set out that during the current financial year we have encountered difficulties with some of the working papers provided to support the financial statements. Where we have incurred additional time as a result of this we have discussed this with management and will have a separate discussion with the Head of Finance on additional fees.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

The lead audit engagement partners are rotated on Audit Commission appointments at least every five years, as required by our own rules and by regulatory bodies. Rotation ensures a fresh look without sacrificing institutional knowledge. Rotation of audit engagement partners, key partners involved in the audit and other staff in senior positions is reviewed on a regular basis by the lead audit engagement partner. This includes partners and staff involved in the audit of the Authority.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's board, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Corporate Governance Panel to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Accounting systems and systems of internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement.

No significant matters concerning internal control processes operated by the Authority have arisen from our audit, other than as reported in this document, which we need to bring to your attention. Less significant matters will be summarised in a separate report for presentation to management and the Corporate Governance Panel in due course.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: 'Delivering Good Governance in Local Government'. The AGS was included in the financial statements.

At the time of writing this report we are in the process of reviewing the AGS to consider whether it complies with the CIPFA / SOLACE ‘Delivering Good Governance in Local Government’ framework and whether it is misleading or inconsistent with other information known to us from our audit work. We will provide the Corporate Governance Panel with a verbal update on 25 September. **We have now completed our audit work in this area.**

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with guidance issued by the Audit Commission, in 2011/12 our conclusion is based on two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

As in 2010/11, we have determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We anticipate issuing an unqualified value for money conclusion and are in the process of concluding our work on this. Our review has not highlighted any significant matters that we wish to bring to your attention.

In 2010/11 the Authority’s value for money opinion was qualified due to the delays encountered in the accounts production process which resulted in the Authority not being able to produce a robust set of financial statements in accordance with the statutory timetable. We are pleased to report that the Authority’s progress in preparing the financial statements has meant that the value for money conclusion will not be qualified on these grounds in 2011/12.

Risk of fraud

We discussed with the Corporate Governance Panel their understanding of the risk of fraud and corruption and any instances thereof when presenting our Audit Plan in June 2012.

In presenting this report to the Corporate Governance Panel we seek members’ confirmation that there have been no changes to their view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

Appendices

Audit reports issued in 2011/12

Audit plan	June 2012
Report on 2011/12 financial statements to those charged with governance (ISA 260)	September 2012
Audit report on the Statement of Accounts and Value for Money	Planned for September / early October 2012
Report to management on the Statement of Accounts audit	Planned for December 2012
Annual Audit Letter	Planned for December 2012
Grants certification report	Planned for March 2012

Letter of representation

[Authority Letterhead]

PricewaterhouseCoopers LLP

Abacus House,
Castle Park
Cambridge
CB3 0AN

Date – must be day of PwC signing or we will need additional representation by email on the day we sign.

Dear Sirs

This representation letter is provided in connection with your audit of the Statement of Accounts of Huntingdonshire District Council (the “Authority”) for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view, and has been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12.

My responsibilities as Managing Director of Resources for preparing the financial statements are set out in the Statement of Responsibilities for the Statement of Accounts. I am also responsible for the administration of the financial affairs of the Authority. I also acknowledge that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of Huntingdonshire District Council with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

I have fulfilled my responsibilities, for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12; in particular the financial statements give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

Subsequent events

All events subsequent to the date of the financial statements for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 requires adjustment or disclosure have been adjusted or disclosed.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you (the Authority's auditors) are aware of that information.

I have provided you with:

- Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, including minutes of the Council, Cabinet and Corporate Governance Panel and relevant management meetings;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

I have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

- Management;
- Employees who have significant roles in internal control; or
- Others where the fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the Authority's ability to conduct its business or that could have a material effect on the financial statements.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

The pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule/schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration

Employee Benefits, including retirement benefits

I confirm that the Authority has made you aware of all employee benefit schemes in which employees of the Authority participate.

All retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the Authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The actuarial assumptions underlying the valuation of retirement benefit scheme net liabilities as detailed within the pension fund section of the financial statements are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities.

The census data underlying the actuarial calculation is accurate and complete.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the Authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the financial statements have been disclosed to you.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

I have disclosed all material agreements that have been undertaken by the Authority in carrying on its business.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

I am not aware of any pending or threatened litigation, proceedings, hearings or claims negotiations which may result in significant loss to the Authority.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents

and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.

- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the Authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the Authority or any associated company for whose taxation liabilities the Authority may be responsible.

Pension fund registered status

I confirm that the Cambridgeshire County Council Local Government Pension Scheme is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that we have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Accounting estimates

The Authority has recognised the following accounting estimates in the financial statements:

- Provision for bad debts;
- Valuation of property, plant and equipment, intangibles and investment properties;
- Accounting for leisure centres;
- Component accounting;
- Classification of leases;
- Estimated useful economic lives of property, plant and equipment and intangible assets; and
- Calculation of the pension scheme assets and liabilities.

Regarding the above accounting estimates:

- The Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Additional written representations about the Statement of Accounts

The selection and application of accounting policies are appropriate.

The following have been recognised, measured, presented or disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom:

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent;
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
- Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.

Deficiencies in internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Using the work of experts

The Authority makes use of the following experts in preparing its financial statements:

- Barker Storey Matthews for the valuation of property, plant and equipment; and
- Hymans Robertson, actuary to the Local Government Pension Scheme;

I agree with the findings of the experts shown above in evaluating the valuation of properties and the pension scheme and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2012, have been taken into account or referred to in the financial statements.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the Authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the financial statements have been disclosed to you.

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the financial statements.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year end have been properly valued and that valuation incorporated into the financial statements. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the financial statements.

Financial Instruments

Where we have assigned fair values to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Provisions

Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the financial statements and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the Authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss.

Transactions with members/officers

Except as disclosed in the financial statements, no transactions involving members, officers and others requiring disclosure in the financial statements under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom have been entered into.

Items specific to Local Government

The Authority does not have plans to implement any redundancy/early retirement programmes other than those disclosed in the financial statements for which we should have made provision in the financial statements.

The Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.

The Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

As minuted by the Corporate Governance Panel at its meeting on 25 September 2012

.....

Managing Director of Resources

For and on behalf of Huntingdonshire District Council

Date

In the event that, pursuant to a request which Huntingdonshire District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Huntingdonshire District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Huntingdonshire District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Huntingdonshire District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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CORPORATE GOVERNANCE PANEL

12TH DECEMBER 2012

**AUDITOR'S ANNUAL AUDIT LETTERS – 2010/11 and 2011/12
(Report by the Head of Financial Services)**

1. PURPOSE

- 1.1 To allow the Panel to consider and receive the Annual Audit Letters from the Council's external auditors for the 2010/11 (Annex A) and 2011/12 (annex B) audits.

2. ANNUAL AUDIT LETTERS

- 2.1 The Council's external auditors, PricewaterhouseCooper, are required to provide the Panel with an Annual audit letter at the end of each audit period. These letters summarise the points made in the audit reports issued during the relevant audit period.
- 2.2 The delays in completing the 2010/11 audit have resulted in the Panel receiving two year's reports at this meeting.
- 2.3 The auditor will present the letters to the panel

3. 2010/11 LETTER

- 3.1 There have already been a number of detailed discussions by the Panel about the 2010/11 audit and it contains no new points.

4. 2011/12 LETTER


- 4.1 The final ISA260 report for the 2011/12 audit is an earlier item on the agenda. It is supplemented by an annex identifying each of the recommendations and providing a dated action list for addressing each item. There are no points in the Letter that are not already covered in more detail in the SAS610 report.

5. RECOMMENDATION

- 5.1 It is **RECOMMENDED** that the Panel formally receive the two Annual Audit Letters.

BACKGROUND INFORMATION

Previous reports to the Panel on the audit of the 2010/11 accounts.

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

Government and Public Sector

Huntingdonshire District Council

Annual Audit Letter

2010/11 Audit

November 2012

Corporate Governance Panel
Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
PE29 3TN

November 2012

Ladies and Gentleman

We are pleased to present our Annual Audit Letter summarising the results of our 2010/11 audit.

Yours faithfully

PricewaterhouseCoopers LLP

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

PricewaterhouseCoopers LLP, Abacus House, Castle Park, Cambridge CB3 0AN
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Contents

<i>Introduction</i>	2
<i>Audit Findings</i>	3

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2010/11 audit work we have undertaken at Huntingdonshire District Council that is accessible for the Authority and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit report for the 2010/11 Statement of Accounts, incorporating the value for money conclusion; and
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported here are those that we consider are most significant for the Authority.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2010/11 audit work has been undertaken in accordance with the Audit Plan that we issued in February 2011, though due to a number of issues, which are discussed in this report we were only able to complete our Audit in July 2012.

Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 13 July 2012.

We have summarised below the most significant findings from our audit. Further details of the issues identified can be found in our ISA260 Report to Those Charged with Governance of July 2012.

Preparation of IFRS based financial statements

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the "Code") requires that the Council's accounts be produced in accordance with International Financial Reporting Standards (IFRS). 2010/11 was the first year in which the Council was required to produce IFRS compliant accounts with two prior year comparative information as well. This is one of the most fundamental changes to financial reporting that impacts on Local Government accounting in recent memory.

Following our appointment as external auditors we performed early audit work in February and March 2011 on the restatement of the prior year comparative information. At that time the evidence available to support the Council's work to date on the IFRS conversion was not sufficient to enable us to carry out detailed audit procedures. We provided an assessment focussing on the key areas of the conversion and discussed this with Management in April 2011 who continued to work on the transition process.

We continued our work on the IFRS restatement as part of our 2010/11 final audit, starting in July 2011. The Head of Financial Services has reported to the Corporate Governance Panel (CGP) the reasons for the delays in completing the audit on a number of occasions, including:

1. The illness of the Capital Accountant and his subsequent retirement in September Led to difficulties in accounting for the Authority's fixed assets.
2. Difficulties for other staff in following the work completed by the Capital Accountant and thus taking longer than expected to make adjustments to the financial statements.
3. The Authority underestimated the time and complexity of IFRS transition.
4. The Authority's view that the appointment of new auditors at the same time as the introduction of IFRS was a contributing factor in the delay.

Although they Council encountered significant difficulty in finalising the figures included in the financial statements the disclosures have remained appropriate with no significant omissions being noted in subsequent drafts to version one.

Leases

IFRS contains more judgement in the determination of a lease as either operating or finance leases. The documentation to support the Authority's assessment was not sufficiently robust to enable us to have reasonable assurance that the financial statements were not materially misstated. We requested that management revisited their leases classification and completed the required assessment against the Code criteria, providing evidence to support their assumptions.

Following additional work by management and consultation with our valuation experts the correct accounting treatment was adopted by the Authority.

Capital Accounting

In performing our audit work on capital accounting we encountered significant issues which caused delays in the preparation and finalisation of the financial statements. The final version provided to us in July 2012 gave us reasonable assurance that the balances associated with property, plant and equipment are not materially misstated. We have included the most significant issues below:

Depreciation/Amortisation - Our review of depreciation and amortisation identified that the Council did not maintain a schedule detailing the useful economic lives for each asset on the fixed asset register, nor was there an annual review for appropriateness or asset existence/impairment. We therefore recommended that management should perform a review of UELs at each balance sheet date to ensure all assets are being appropriately depreciated. This should also be performed in conjunction with an annual existence and impairment review.

Classification of non-current assets - Our review of the classification of non-current assets identified that assets had been incorrectly classified between property, plant and equipment, intangibles and investment property. All significant misclassifications have been corrected within the financial statements, however the Council should monitor whether properties throughout the course of the year change in classification as this directly impacts the recognition and subsequent measurement of such assets.

Revaluations and impairments - Our review of the financial statements identified that the Council had not undertaken appropriate accounting entries on the revaluation of assets. We should note that the overall valuation of the Council's property, plant and equipment was not materially misstated. We performed testing on the final revaluation adjustments and did not identify any material misstatement.

Investment Properties - The Code of practice on Local Authority Accounting requires the use of the fair value model for investment properties. The fair value must reflect market conditions at the balance sheet date and thus annual revaluations are necessary unless the Council can demonstrate that the carrying value is not materially different from the fair value at that date. We identified that the Council has not undertaken an exercise to determine the fair value at the balance sheet date at 31 March 2010 or 31 March 2011. Management has subsequently undertaken this exercise using current market trends. We have confirmed that these are appropriate through consultation with our internal valuation experts. We recommend that management ensures this exercise is undertaken by a professionally qualified individual on an annual basis.

Leisure Centres - Our review of leases identified that the five leisure centres included on the Council's balance sheet are held under management agreements. These agreements indicate that the assets are jointly controlled assets between the Council and Cambridgeshire County Council.

We discussed the treatment of accounting for jointly controlled assets with management in August 2011. Management determined the required percentage shares for the calculation of the proportion of the assets the Council are required to exclude from their financial statements at the balance sheet date based on the capital contributions by both the Council and the County for 1 April 2009, 31 March 2010 and 31 March 2011. We confirmed the capital contributions feeding into this calculation by reference to management accounting showing capital contributions over the period. We reviewed the calculation sheet provided by management and did not find any errors.

Economy, efficiency and effectiveness

Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with guidance issued by the Audit Commission, in 2010/11 our conclusion was based on two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The Audit Commission's guidance requires auditors to report by exception on any significant additional matters that come to our attention which we consider to be relevant to proper arrangements to secure economy efficiency and effectiveness in the use of resources.

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.

We have set out in the preceding sections the details of the delays encountered in the accounts production process which has resulted in the Council not being able to produce a robust set of financial statements in accordance with the statutory timetable. We have therefore included the following in our Value for money opinion.

Basis for qualified conclusion

In considering the Authority's arrangements for securing financial resilience, we identified that the Authority has significant weaknesses in ensuring reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people as it has not been able to produce a set of financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting to the statutory timetable.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, except for the matter reported in the 'Basis for qualified conclusion' above we are satisfied that, in all significant respects, Huntingdonshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE 'Delivering Good Governance in Local Government' framework and whether it is misleading or inconsistent with other information known to us from our audit work. We have discussed the delay in the production of the financial statements with management and confirmed that the final version of the AGS includes suitable references to the delay.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Government and Public Sector
Huntingdonshire
District Council

Annual Audit Letter

2011/12 Audit

November 2012

Introduction

The purpose of this letter

This letter is a public document which summarises the results of our 2011/12 audit for members of the Authority and other stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit report for the 2011/12 Statement of Accounts, incorporating the value for money conclusion; and
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported here are the most significant for the Authority.

Scope of work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2011/12 audit work has been undertaken in accordance with the Audit Plan that we issued in June 2012 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit responsibility	Result
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).</i>	We reported our findings at that date to the Corporate Governance Panel on 25 September 2012 in our 2011/12 <i>Report to those charged with governance (ISA (UK&I) 260)</i> . A final version of our report, following the completion of all accounts preparation and audit work, was issued on 18 October 2012. On 26 October 2012 we issued an unmodified audit opinion.
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	We reported our findings to the National Audit Office on 26 October 2012.
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	On 26 October 2012 we issued an unmodified value for money conclusion.
<i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i>	There were no issues to report in this regard.
<i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>	There were no issues to report in this regard.
<i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>	There were no issues to report in this regard.
<i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i>	We issued our completion certificate on 26 October 2012.

Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unmodified audit report on 26 October 2012. We identified the following key issues from our audit of accounts:

Preparation of the financial statements

In 2010/11 the Authority struggled to meet the requirements of IFRS in producing its originally submitted 2010/11 financial statements. As a result of the failings in the Authority's financial accounting arrangements the quality of the financial statements produced and presented to us for audit were poor.

We are pleased to report that the Authority has made good progress in preparing a set of draft financial statements suitable for audit in 2011/12 which, given the difficulties encountered in 2010/11 and the resultant late start on the 2011/12 accounts and audit process, is a positive achievement. We are also pleased to note that the audit adjustments arising from our procedures on the financial statements have been limited and all items identified have been immaterial and adjusted by the Authority. Whilst the Authority did not meet the deadline for audited accounts submission by the end of September 2012, in our view this is due to the 2010/11 legacy issues, and is not indicative of ongoing accounts preparation issues

We have however continued to encounter some lower level difficulties with obtaining adequate working papers which support the figures included in the financial statements, which has led to some delays and additional work by both the Authority and ourselves.

During our review of the financial statements we identified a difference between the trial balance and the amount disclosed within the financial statements of £82k. The Authority have investigated the difference and consider that this is due to using two different types of reports during the accounts preparation process; however the correcting adjustments for the difference were not identified. As the amount is not material to the financial statements we have noted this for information only and recommended that the Authority continue to review the process for preparing the financial statements and ensure that only one, reliable source of information is used as a base for collating the financial statements.

We understand that the new accountancy manager has already identified a number of areas for improvement and will be undertaking a full review of the financial statements and working papers in advance of the 2012/13 closedown process to ensure that these are fit for purpose.

Whilst welcoming the improvements made by the Authority in preparing the 2011/12 accounts, we note that they are highly reliant on a small number of key staff in preparing these accounts, and hence that any departures from this team or loss of expertise could have a significant impact on the Authority's ability to maintain this standard of performance.

Related Party Transactions

During our work on related party transactions we raised some queries on the completeness of the disclosures in the financial statements. Subsequent review by the Authority identified some related party transactions that had not originally been disclosed to us or included in the financial statements. We have carried out our required audit work on these new items and have no concerns to raise regarding the transactions themselves, and they have now been properly included in the final accounts. Identification and approval of related party transactions is however an important area of control, and as such we have recommended that the Authority review and improve their procedures in this area for future years.

Capital Accounting

In the 2010/11 "Report to Those Charged with Governance (ISA 260 (UK&I))", we reported that several issues had been identified regarding the accounting for property valuations and depreciation/ amortisation of property plant and equipment and as such we included this as a significant risk in our audit plan for 2011/12.

We performed audit procedures to ensure that the financial statements were free from material misstatement, and noted real improvements in this area in 2011/12. Although we acknowledge the progress the Authority has made in advancing the maintenance of the Authority's capital accounting records we have however continued to identify some weaknesses in the processes currently adopted by the Authority which we have summarised below.

Valuation of land and buildings and investment property

The Authority's accounting policy for land and building assets states that professional valuations will be obtained at least every five years and that in the intervening years there will be regard to the movement in property prices and any other factors that may indicate a significant difference between values in the financial statements and current values indicating the need for additional steps to ensure that values in the financial statements are not materially misstated.

In 2011/12 the Authority obtained updated valuations for assets where there had been significant expenditure incurred during the year and processed these adjustments in the financial statements. Whilst we are satisfied that the valuations associated with these assets are reasonable, the Authority did not consider the IFRS requirement that all assets of a category (for example leisure centres) should also be considered for revaluation when one asset from that category is revalued.

In addition, for assets revalued, the Authority did not obtain from the external valuer a view on whether there was any material movement in the remainder of the portfolio until requested by the audit team.

We recommend that the Authority:

- Reviews their policy for the revaluation of property, plant and equipment and confirms that it is fit for purpose and maintains a rolling programme for the revaluation of assets that ensures that the financial statements are free from material misstatement;
- Provides adequate instructions to the external valuer about the properties it requires revaluations for, ensuring that all assets within a category are revalued and a request is made that the valuer performs work to ensure that the rest of the portfolio is not materially misstated. This should also be explicit of the need for the valuer to set out their methodology, key assumptions, independence and professional requirements; and
- Reviews the information received from the external valuer in detail and confirms that it complies with the instructions and is complete before processing within the financial statements.

Valuation of vehicles, plant and equipment

The Authority's accounting policy states that vehicles, plant and equipment are held at historic cost in accordance with the requirements of the Code and IFRS. Our audit procedures have identified that the Authority have not performed an annual assessment to confirm if an impairment review is required.

We have also identified that the Authority does not have a formal process in place for the physical verification of assets. Without procedures in place to perform periodic reviews there is a risk that the Authority's balance sheet is overstated due to disposals within services not reported to finance (where they do not result in proceeds being received), or not identifying items no longer in use. Failing to conduct physical verifications also increases the risk of fraud through theft.

Depreciation and amortisation

Our audit procedures on depreciation and amortisation identified that the Authority do not perform an annual review of useful economic lives for continued appropriateness. Assets included in the report from the external valuer are assigned a remaining asset life, however for all other applicable property, plant and equipment and intangibles an assessment is not undertaken. There is therefore a risk that these reserves and the depreciation charges in the comprehensive income and expenditure statement may be materially misstated.

The Authority may wish to consider performing a combined exercise annually which covers physical verification, assessment of fair value/impairment and appropriateness of remaining asset life.

Valuation of inventories

Throughout the course of our audit we identified that the Authority are valuing inventories using a methodology which is not in compliance with the Code (Last in first out). The value of stock is not material (2011/12: £185k) and as such we do not perceive there to be a risk of material misstatement. We do however recommend that the Authority review this policy and ensure that in future periods stock is valued in accordance with the Code.

Provision for bad debts

The Authority has recognised a provision for bad debts within the financial statements against Council Tax, National Non-Domestic Rates, sundry debtors, court costs and rent allowances. Whilst the Authority have based their provision for housing debts on CIPFA guidance, there is limited evidence to support the level of provision on the remaining categories of aged debt. We also noted that there is no documented policy for the impairment of accounts receivable. We recommend that this is documented and formally approved.

We identified that there is potentially £827k of debt that is irrecoverable, with a large proportion of this debt being more than 5 years old. This debt is, however, correctly fully provided for in the financial statements.

We note that much of the debt relates to housing benefit where in the majority of cases the debt is being repaid by instalments, sometimes over a very long time scale. There are still however a high proportion of debts for which there has been no or minimal movement.

We recommend that the Authority undertake on a regular basis a review of their older debts and determine those which are potentially recoverable (albeit where it is appropriate to continue to provide for all or most of the balance in the accounts) and those which should be formally written off.

Economy, efficiency and effectiveness

Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit Commission guidance specifies the criteria for our value for money conclusion:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion. In 2010/11 the Authority's value for money opinion was qualified due to the delays encountered in the accounts production process which resulted in the Authority not being able to produce a robust set of financial statements in accordance with the statutory timetable. We are pleased to report that the Authority's progress in preparing the financial statements has meant that the value for money conclusion will not be qualified on these grounds in 2011/12.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 26 October 2012. We found no areas of concern to report as part of this work.

Grant Claims and Certification

We presented our most recent Annual Certification Report for 2010/11 to the Corporate Governance Panel in February 2012. We certified three claims worth a total of £91,816,167.80. In one case (the claim for Housing and Council Tax benefits subsidy: BEN 01) a qualification letter was required to set out significant issues arising from the certification of the claim. We will issue the Annual Certification Report for 2011/12 in February 2012.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Other Matters

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY (Report by the Audit & Risk Manager)

1. INTRODUCTION

- 1.1 This report details the outcome of the annual review of the Strategy (Annex A).
- 1.2 The Council has robust risk management processes in place that are generally performing well and supportive of annual governance and statutory reporting processes.

2. RISK STRATEGY

- 2.1 The current strategy includes the following statement regarding the responsibilities for health and safety.

Health & Safety Advisor & Co-ordinators

To review the health and safety risks identified by managers and consider if the controls recorded in the register are sufficient to mitigate the risk to the level stated.

To assist managers by monitoring and reviewing the effectiveness of the control environment recorded in the risk register.

To review accident reports and health and safety records and recommend improvements to procedures.

- 2.2 The Corporate Health & Safety Advisor has reviewed many of the health and safety practices and recommended a number of changes to current procedures to the Safety Advisory Group. These have been reflected in the 'Health and Safety Policy – Organisation & Responsibilities' (Policy) document,
- 2.3 The Policy makes it clear that the identification and management of risk is the responsibility of all – both Elected Members and employees. It is therefore proposed that rather than attempt to summarise the key messages from the Health and Safety Policy in the Strategy, the wording noted in paragraph 2.1 above be replaced with the following statement, within the Roles and Responsibilities section of the Strategy.

Health & Safety

All Elected Members and employees are responsible for taking care of their own and their colleagues/visitors health and safety at all times. They are responsible for the identification and treatment of hazards as described in the Health and Safety Policy – Organisation & Responsibilities.

Risk Appetite

- 2.4 COMT are also required to review and consider the Council's risk appetite each year. The risk appetite is the amount and type of risk that the Council is prepared to seek, accept or tolerate.
- 2.5 That review has been completed and no change is proposed to either the general or the health & safety risk appetite.

General risk appetite = High

Whilst no formal illustrative descriptor has been written, a high risk appetite should be 'read' as the Council's desire that it should *be able to take calculated risks to seize opportunities (innovation) in delivering its Themes and Aims.*

("Very high" risks, those exceeding the risk appetite, have to be reported to Cabinet to ensure they are content with the level of residual risk or action plans developed to reduce the risk).

Health & Safety risk appetite = Low

A low risk appetite should be 'read' as the Council's desire that it should *have low degree of residual risk and a preference for safe service delivery options that only contain the potential for limited reward.*

3. RECOMMENDATION

- 3.1 It is recommended that the Panel:
- i. Note the changes to the responsibilities for health & safety in the risk management strategy
 - ii. Note that COMT have reviewed the risk appetite and no changes are required; and
 - iii. Approve the attached Risk Management Strategy.

BACKGROUND INFORMATION

None

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



Risk Management Strategy

Version10 – December 2012

Introduction

An effective risk management strategy will ensure the Council maximises its opportunities and manages those threats that may hinder the delivery of its priorities so that the opportunities for continuous improvement are maximised.

Risk therefore needs to be considered at all stages of the management process, from the setting of corporate priorities through to the delivery of the service to the customer. Risk management therefore becomes an integral element of the Council's corporate governance arrangements.

This risk management strategy aims to integrate risk management into the Council's culture and processes and raise awareness amongst all employees and members of the benefits and opportunities that the successful management of risk can bring.

Definitions

Risk is the chance or possibility of something happening that will have an adverse impact on the achievement of the Council's objectives.

Risk management is the identification, evaluation, control, monitoring and reporting of existing and emerging risks. It applies equally to the opportunities for taking risks as it does to avoiding risks or reducing losses. It is a key part of good management and not simply a compliance exercise.

Why is Risk Management important?

The Council provides a large range of services within an ever changing environment, so there is great potential for risks to arise. Effective risk management will enable the Council to:

- Maximise performance
- Minimise the need to divert funds from priority services
- Encourage creativity
- Minimise losses
- Ensure the Council's reputation is preserved and enhanced
- Reduce insurance premiums

The aim is to manage risk, rather than eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance, while an over zealous approach may stifle creativity and increase the cost of and/or impede service delivery. Successful risk management means getting the balance right.

Risk Policy Statement

Huntingdonshire District Council is committed to the effective management of risk. The Council's ability to deliver services and achieve its business objectives are constantly affected by risk, which the Council recognises as being both positive and negative.

The Council also recognises its legal, moral and fiduciary duties in taking informed decisions about how best to control and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks.

The Council will ensure that Members and staff understand their responsibility to identify risks and their possible consequences.

The Risk Management Process.

Risk management is a continuous process that has five key elements:

- The systematic **identification** of risks to which the Council is exposed.
- The **evaluation** of those risks in terms of likelihood and severity.
- The **control** or **mitigation** of the risks, either by reducing the likelihood or severity of adverse events.
- The **arrangements** the Council needs to put into place to deal with the **consequences** of the threats manifesting themselves, e.g. insurance, levels of policy excesses, self-insurance, service recovery planning.
- The on-going **monitoring** and **reporting** of risk, to allow for intended actions to be achieved and losses minimised.

A standard risk management process will be used throughout the Council¹. This will ensure that risks are considered in the same fashion whether at a project, partnership, corporate or operational level.

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

Corporate Risks

- Political
- Economic
- Social
- Technological
- Legislative
- Environment
- Competitive
- Customer

Operational Risks

- Professional
- Legal
- Financial
- Physical
- Contractual
- Information
- Technology
- Environmental

Some risks fall across both categories, in particular those associated with partnerships, projects or cross-cutting service issues, and therefore can't be listed under one area.

Further examples of the risk areas are contained at [Appendix A](#).

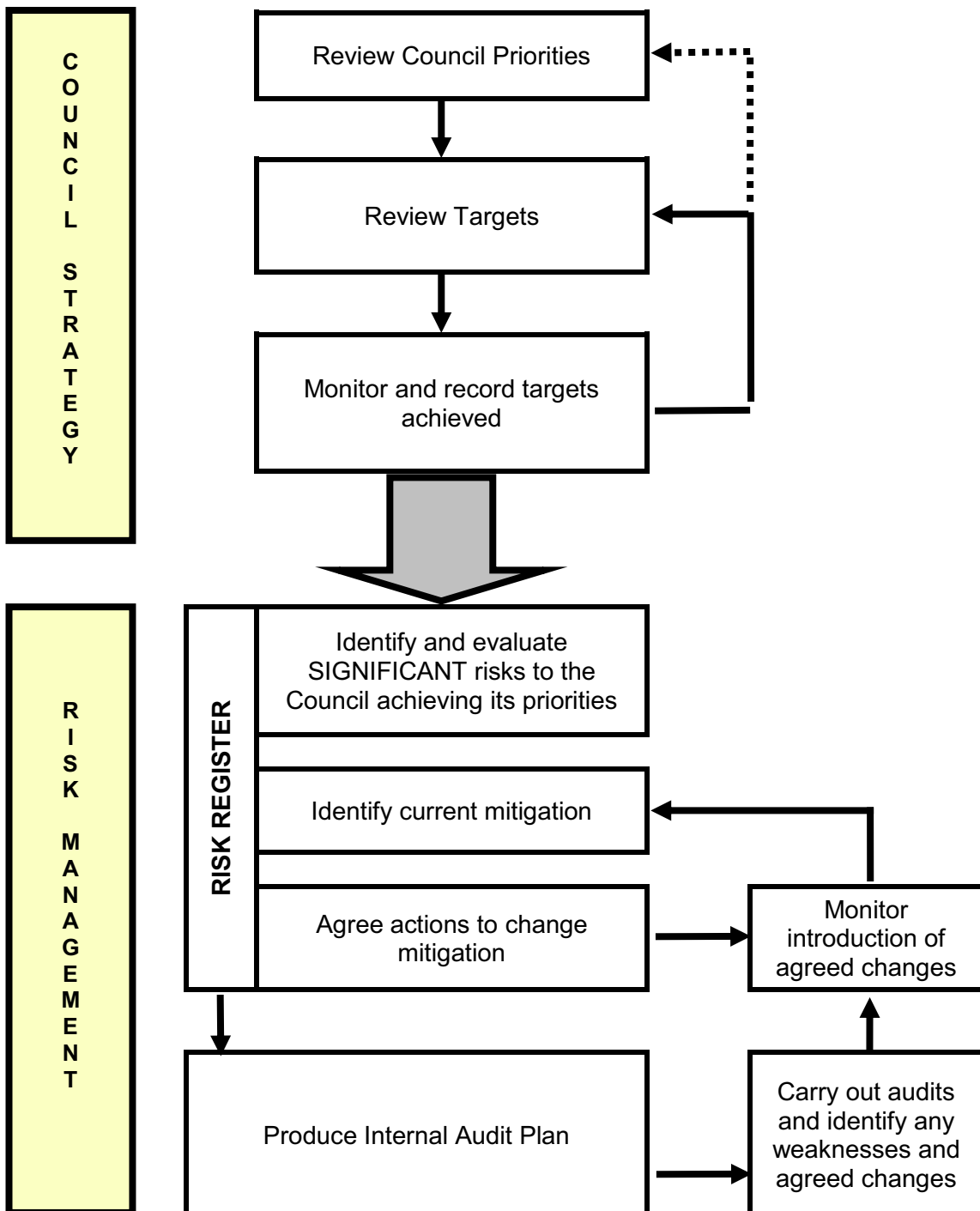
All levels of management should be concerned, to varying degrees, with risks in both categories. Corporate risks are likely to affect the medium to longer term priorities of the Council and require longer term planning to be addressed. Operational risks tend to have a more immediate impact and require to be treated in a shorter time frame.

¹ For operational reasons, health and safety risks shall be evaluated in accordance with the categories of injury prescribed by the Health and Safety Executive, as contained in Appendix B.

Developing and Integrating Risk Management

The identification and management of risks needs to be undertaken at all stages of the corporate and service planning process so as to ensure that the risk register contains the significant risks that will affect the Council achieving its priorities. All reports or proposals at officer or member level that deal with changes to services must, where material, refer to the impact of what is being considered on the Council's priorities and targets and be supported by an explicit consideration of the risks, both inherent and mitigated, to that impact being achieved.

The table below explains how risk management processes link into the Council's planning process.



Risk Appetite

The Corporate Governance Panel shall determine the Council's risk appetite; that is the risk level that can be tolerated and justified should it be realised. In making this decision they shall consider the risk assessment model and its individual elements, the Council's current circumstances and their responsibilities towards the Council's employees and the wider community and the recommendation of Chief Officers Management Team.

The Panel has determined the overall risk appetite to be High. In respect of Health & Safety risks, the overall risk appetite is Low.

Risk Assessment

The risk assessment model is detailed in [Appendix B](#).

The model requires potential risks to be evaluated against a set of pre-determined criteria for likelihood/frequency and impact. Individual risk levels can then be determined by plotting the risks onto a risk matrix. Health and Safety risks will be plotted against the smaller inset matrix.

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

Following the plotting of a risk, a decision shall be taken as to how the risk is to be managed. This can be summarised as follows.

Level of Risk	Very High	High	Medium	Low
Level of Concern	Very concerned	Concerned	Uneasy	Content
Appetite: General	Unacceptable	Acceptable	Acceptable	Acceptable
H&S	Unacceptable	Unacceptable	Unacceptable	Acceptable
Consequences	Disastrous impact If residual risk exceeds risk appetite then	Severe impact.	Detrimental impact on the day to day delivery of services.	Relatively light impact.
Responsibility for acceptance of residual risk	Cabinet receive formal risk option form and decide if the risk shall be accepted or avoided.	Risks will be tolerated where single events occur but overall impact of multiple events to be reported to Cabinet. Monitored 6 monthly by COMT <i>who may determine, by exception, that individual risks shall be further mitigated.</i>	Risk monitored by HoS; escalated to COMT if increase in impact or probability.	Risk accepted.
Prepare action plan and update Risk Register	Within 6 weeks of the decision to treat the risk.		-----	

Option Appraisals & Risk Treatment

Before a decision is made on the way the risk is to be treated, the Head of Service who owns the risk, shall carry out an option appraisal. The appraisal shall consider how to deal with the risk on the following basis:

- **Reduce** or treat the risk by controlling the likelihood of the risk occurring or controlling the impact of the consequences if the risk does occur.
- **Avoid** or eliminate the risk by not undertaking the activity that may trigger the risk.
- **Transfer** the risk either totally or in part to others e.g. through insurance.

- **Accept** or tolerate the risk. This option will only be accepted when the ability to take effective action against a risk is limited or the cost of taking action is disproportionate to the potential benefits gained.

The appraisal will consider cost, resources, time and the potential financial and non-financial benefits of each treatment option. Advice from specialist staff shall be taken where appropriate.

Ideally risk treatments should be self-funding. Where this is not the case there will need to be a prioritisation process to ensure that any funding is concentrated first on those items that will be most beneficial to the achievement of the Council's priorities.

- **Action Plans**

The results of the option appraisal shall be recorded by the appropriate Head of Service on a risk treatment option form ([Appendix C](#)) within 4 weeks of the risk having been recorded in the risk register. The form shall identify the risk, the current control environment, control actions to be introduced, the officer responsible and the timescales for implementation.

The option appraisal will be reviewed and challenged by the Audit & Risk Manager prior to its submission and consideration by Cabinet or the Managing Directors who shall decide what further action, if any, is required to address the risk issue raised. The Head of Service shall update the risk register and put in place procedures to introduce the agreed actions.

Roles and Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk.

Council, Cabinet, Committees & Panels

- To ensure that risk management implications are considered when making decisions.

Cabinet

- To ensure that corporate risks are effectively managed in accordance with the risk management strategy.
- To appoint a risk management champion.
- To receive reports and decide upon the action to be taken for all mitigated risks that exceed the Council's risk appetite, impact on the Council, its reputation or business continuity.

Corporate Governance Panel

- To ensure that an effective risk management strategy is in place.
- To determine the Council's risk appetite.
- To receive an annual progress report from the Risk Management Group timed to coincide with their annual governance review.
- To receive regular updates on risk management.
- To review the risk assessment model annually to ensure it continues to reflect the requirements of the Council.

Chief Officers' Management Team / Managing Directors

- To ensure effective risk management throughout the Council in accordance with the risk management strategy.

- To make recommendations at least once a year to the Corporate Governance Panel on the Council's risk appetite
- To approve the terms of reference for the risk management group.
- To receive progress reports and an annual statement from the risk management group on the effectiveness of risk management.
- To ensure that Members are advised of the risk management implications of decisions.
- To take into account issues contained in the risk register and the risk management group's annual statement when preparing the annual corporate governance statement.
- To consider every 3 months all new risk entries on the risk register.
- To prioritise risk treatments and all treatments requiring MTP funding.

Heads of Service

- Ensuring that effective procedures are in place to manage the risks affecting their services.
- Maintain a risk register that identifies and scores risks, updating it promptly with any perceived new risks or opportunities or failures of existing control measures.
- Ensure that risks relating to significant partnerships are identified and effectively managed, within the partnership and at service level.
- To report all new risks or significant changes to risk entries to COMT every 3 months.
- To undertake option appraisals for risks within their ownership and prepare action plans for risks that are to be treated further.
- To update at least once every six months assurance on those controls that manage risks recorded on the risk register.
- Balancing an acceptable level of operational risk against the achievement of service plans, project objectives and business opportunities.

Risk Management Group

- To oversee the risk management process throughout the Council in accordance with its terms of reference ([Appendix D](#)).

Internal Audit & Risk Management Section

- To develop the culture of risk management throughout the Council.
- To assist managers in identifying and analysing the risks that they encounter and the formation of action plans to address outstanding issues.
- To report as necessary to the Cabinet, Corporate Governance Panel or COMT on risk management issues.
- To identify best practice and consider its introduction within the Council.
- To provide advice and guidance on systems to mitigate risk.

Separate to the responsibilities listed above, the Audit & Risk Manager will also consider as part of his annual report to the Corporate Governance Panel:

- The robustness of the risk management process.
- The effectiveness of the internal controls for the mitigation of risk.

Health & Safety Advisor & Co-ordinators

- All Elected Members and employees are responsible for taking care of their own and their colleagues/visitors health and safety at all times. They are

responsible for the identification and treatment of hazards as described in the Health and Safety Policy – Organisation & Responsibilities.

Employees

- To understand their responsibility to take reasonable care in carrying out their work such that risks are as far as reasonably possible minimised for the Council, colleagues, the public or themselves.
- To co-operate with management and colleagues in matters relating to the mitigation of risk.
- To inform their line-manager promptly of any risks they become aware of.

Categories of Risk

The risk categories² provide a framework for identifying and categorising a broad range of risks facing the Council and its services. Each category cannot be considered in isolation, as risks identified in one category may have consequences on activities within another.

Corporate Risks

Those risks that may be potentially damaging to the achievement of the Council's objectives.

Political

Associated with failure to deliver either local or central government policy, or to meet electoral commitments.

- Wrong strategic priorities
- Not meeting Government agenda
- Decisions based on incomplete or faulty information
- Too slow to innovate/modernise
- Unfulfilled promises to electorate
- Community planning oversights/errors

Economic

Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, inadequate insurance cover, external level economic changes (e.g. interest rates, inflation etc), or the consequences of proposed investment decisions.

- General /Regional economic problems
- High cost of capital
- Treasury risk
- Missed business and service opportunities

Social

Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.

- Failing to meet the needs of disadvantaged communities
- Impact of demographic change
- Failures in partnership working
- Problems in delivering life-long learning
- Crime and disorder

Technological

Associated with the capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.

- Obsolescence of technology
- Hacking or corruption of data
- Breach of confidentiality
- Failure in communications

Legislative

Associated with current or potential changes in national or European law.

- Inadequate response to new legislation
- Intervention by regulatory bodies and inspectorates
- Judicial review
- Human Rights Act breaches

² Source: Accounts Commission for Scotland

Environment

Relating to the environmental consequences of progressing the Council's strategic objectives (e.g. tackling climate change, using resources efficiently and protecting and improving the environment).

- Reduce Co2 emissions
- Adapt to climate change
- Reduce waste and use resources wisely
- Impact of planning and transportation policies
- Protect biodiversity and green space

Competitive

Affecting the competitiveness of the service (in terms of cost or quality) and / or its ability to deliver Best Value.

- Takeover of services by governmental agencies
- Failure to show best value
- Failure of bids for government funds

Customer

Associated with failure to meet the current and changing needs and expectations of customers and citizens.

- Lack of appropriate consultation
- Bad public and media relations

Operational Risks

Those risks that managers and employees may encounter in the day-to-day provision of services.

Professional

Associated with the particular nature of each profession (e.g. Housing service concerns as to the welfare of homeless people).

- Inefficient/ineffective management processes
- Inability to implement change
- Lack of control over changes to service provision
- Inadequate consultation with service users
- Failure to communicate effectively with employees
- Lack of business continuity plan
- Non-achievement of Best Value
- Bad management of partnership working
- Failure to manage and retain service contracts
- Poor management of externally funded projects

Legal

Related to possible breaches of legislation.

- Not meeting statutory duties/deadlines
- Failure to comply with European directives on procurement of works, supplies and services
- Breach of confidentiality/Data Protection Act
- Failure to implement legislative change
- Misinterpretation of legislation
- Exposure to liability claims e.g. motor accidents, wrongful advice

Financial

Associated with financial planning and control and the adequacy of insurance arrangements.

- Failure of major project(s)
- Inefficient/ineffective processing of documents
- Missed opportunities for income/funding/grants
- Inadequate insurance cover
- Failure to prioritise, allocate appropriate budgets and monitor
- Inadequate control over expenditure
- Inadequate control over income

Physical

Related to fire, security, accident prevention and health and safety (e.g. hazards / risks associated with buildings, vehicles, plant and equipment, etc).

- Violence and Aggression
- Non compliance with health and safety legislation
- Injury caused by e.g. slips, trips, stress
- Loss of intangible assets
- Loss of physical assets from e.g. theft, fire, terrorism
- Damage to assets from e.g. vandalism, water damage
- Failure to maintain and upkeep land and property

Contractual

Associated with the failure of contractors to deliver services or products to the agreed cost and specification.

- Non-compliance with procurement policies
- Over reliance on key suppliers/contractors
- Failure of outsourced provider to deliver
- Failure to monitor contractor
- Poor selection of contractor
- Poor contract specification, deficiencies, errors
- Inadequate contract terms & conditions
- Quality issues

Information

Associated with making decisions based on information that is flawed in some way.

- Inadequate business processes
- Poor reporting lines/processes
- Accounting system failure
- Unreliable accounting records

Technology

Relating to reliance on operational equipment (e.g. IT systems or equipment and machinery).

- Failure of big technology-related project
- Crash of IT systems affecting service delivery
- Lack of disaster recovery plans
- Breach of security of networks and data
- Failure to comply with IT Security Policy
- Bad management of intranets and web sites

Environmental

Relating to pollution, noise or energy efficiency of ongoing service operation.

- Reduce Co2 emissions through promotion of energy efficiency
- Crime and Disorder Act implications
- Incorrect storage/disposal of waste
- Reduce travel and emissions
- Promote water efficiency
- Promote recycling
- Protect and improve biodiversity and green space projects
- Encourage more sustainable purchasing


Human Resources

Associated with staffing issues (e.g. recruitment / retention, sickness management, change management, stress related risk analysis).

- Capacity issues
- Over reliance on key officers
- Failure to recruit/retain qualified staff
- Lack of employee motivation/efficiency
- Failure to comply with employment law
- Poor recruitment & selection processes
- Lack of succession planning
- Lack of training

RISK ASSESSMENT MODEL

Likelihood / Frequency

			Alternatively this could be expressed as likely to happen within the next:	
5 = Almost Certain	Will definitely occur, possibly frequently.	Month		
4 = Likely	Is likely to occur, but not persistently.	Year		
3 = Occasional	May occur only occasionally.	3 years		
2 = Unlikely	Do not expect it to happen but it is possible.	10 years		
1 = Improbable	Can't believe that this will ever happen, but it may occur in exceptional circumstances.	20 years		

When considering Health & Safety related risks, the likelihood should be expressed as being likely to happen within the next:

4 = Likely	Monthly	Further advice on assessing Health & Safety risks* can be obtained from the Health & Safety Advisor.
3 = Occasional	Year	
2 = Unlikely	5 years	

Impact

Risks will be evaluated against the following scale. If a risk meets conditions for more than one category, a judgement will need to be made as to which level is the most appropriate. For example, if a particular health and safety risk was significant, could result in minor short-term adverse publicity in the local media but had only a trivial financial impact, it might still be categorised as significant.

1 = trivial event or loss, which is likely to:

- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- increase the Council's net cost over the 5 year MTP period by £50,000 or less.
- be managed with no reporting in the local media
- cause localised (one or two streets) environmental or social impact

2 = minor event or loss, which is likely to:

- cause minor, noticeable disruption to service delivery on one or two consecutive days
- increase the Council's net cost over the 5 year MTP period by more than £50,000 but less than £100,000.

- result in minor short-term (up to a fortnight) adverse publicity in the local media
- * be a Health and Safety concern that results in an injury but little lost time (e.g. less than 3 days off work)
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

3 = significant event or loss, which is likely to:

- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- increase the Council's net cost over the 5 year MTP period by more than £100,000 but less than £250,000.
- result in significant adverse publicity in the national or local media
- * be a Health and Safety concern that results in more than 3 days off work or is a major injury, dangerous occurrence or disease that is required to be reported to the H&S Executive in accordance with RIDDOR.
- has a short term local effect on the environment, or a social impact, that requires remedial action.

4 = major event or loss, which is likely to:

- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Managing Director involvement.
- increase the Council's net cost over the 5 year MTP period by more than £250,000 but less than £500,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- * results in the fatality of an employee or any other person
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

5 = critical event or loss, which is likely to:

- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- increase the Council's net cost over the 5 year MTP period by more than £500,000.
- have an adverse impact on the national reputation of the Council both in the long and short term
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant

Risk Treatment Option Form

Risk Treatment – Action Plan				
Description of risk from register:	Risk ID No:	Current residual risk score: Likelihood x Impact		
Controls already in place as listed on the risk register:				
Are these controls operating effectively? Yes / No				
Risk Action Plan (All actions listed in priority order)				
Proposed actions to reduce risk using existing resources	New residual risk score ³			Extra resources required ⁴
	L	I		
a.				
b.				
c.				
Actions requiring additional resources				
1.				
2.				
3.				
4.				
Decision				
Agreed Option:	Implementation Date		Risk Owner	
Decision taken by:		on:		

³ **New Residual Risk Score:** after the action has been introduced

⁴ **Extra Resources:** only complete if extra resources will be required to allow the proposed action to be introduced e.g. financial costs and staff time

Remember, when considering treatment options that the Council's aim is to manage risk rather than eliminate it completely – successful risk management is about improving risk taking activities whilst minimising the frequency of the event occurring.

Issues that should be considered when making the risk treatment decision are listed below.

Administration	<p>Is the option easy to implement? Will the option be neglected because it is difficult to implement? Do staff have sufficient expertise to introduce the option?</p>
Continuity of effects	<p>Will the effects of the risk treatment option be long term/continuous or short term? If short term, when will further risk treatments be needed? Does the risk need to be treated at all as it will 'disappear' in the short term (e.g. a project it refers to will be completed or in the next three months)</p>
Cost effectiveness	<p><i>Costs need to be estimated accurately as it's the base against which cost effectiveness is measured.</i></p> <p>Can the cost of implementing further control be justified compared to the risk reduction benefits expected? What financial loss is to be expected if no action is taken? Could the same results be achieved at lower cost by other means?</p> <p>Will running costs go up or down? What capital investment will be needed? What other costs will there be?</p>
Benefits	<p>What will happen to service levels? What will happen to service quality? What additional benefits or risk reductions will occur in other areas? Can other controls in place be amended to deal with this risk? How will you evaluate this option to see if it is reducing the identified risk?</p>
Objectives	<p>Will reducing risk advance the Council's overall objectives? What will be the economic and social impacts? What will be the impact on the environment of leaving the risk as it is?</p>
Regulatory	<p>Complying with laws and regulations is not an option.</p> <p>Does the lack of treating the risk (or the current method of control) breach any laws or regulatory requirement? Is the treatment option proposed, including its cost, totally disproportionate to the risk?</p>
Risk creation	<p>What new risks will be created from introducing the option?</p>

CORPORATE GOVERNANCE PANEL

12 DECEMBER 2012

PROVIDING ASSURANCE FOR THE ANNUAL GOVERNANCE STATEMENT

(Report by the Internal Audit & Risk Manager)

1. SUMMARY

- 1.1 This report proposes that Panel endorse the preparation of an assurance map for the year commencing April 2013. The map would provide the framework upon which Panel obtained confidence that internal controls are in place, operating effectively and objectives are being achieved.
- 1.2 The report also proposes that, in parallel, the scope and content of the Annual Governance Statement (AGS) is reviewed to make it more strategic, readable and meaningful to other Members and the public.

2. INTRODUCTION

- 2.1 The process of preparing the last AGS in September and reviewing the documents supporting it illustrated that many of the areas of assurance required by the Panel are dealt with at this single point of the year and, as a consequence, some may receive too little attention, whereas other items may currently be taking up too much of the Panel's time.
- 2.2 The whole AGS process is quite cumbersome, in terms of the supporting documents and evidence, together with the length and detail of the AGS itself.
- 2.3 A clearer focus, based upon those key issues that Panel require assurance on is proposed. The key issues will be recorded along with how, and from what source, assurance will be received on them. Such an approach is based on the concept of an assurance map.

The Institute of Internal Auditors define this as:

A structure within which “boards” identify the principal risks to the organisation meeting its principal objectives and map out both the key controls in place to manage them and also how they have gained sufficient assurance about their effectiveness.

3. CURRENT POSITION

3.1 Many of the key issues and areas of significant risk or concern have already been identified. The Panel in March 2008 adopted an assurance framework to support the production of the AGS. The framework was based around the significant risks affecting the achievement of the Council's strategic objectives and the six principles supporting the Code of Corporate Governance.

3.2 Building upon this, in March 2009, Panel also identified a number of further issues they required assurance upon:

Delivery of the Council's corporate objectives	Robustness of the performance management system
The effectiveness of the Constitution	Adequacy of the internal audit service
The effectiveness of the Code of Corporate Governance	The effectiveness of the risk management strategy
Ability to identify, assess and respond to legislation, meeting statutory obligations	Robust systems of internal control and the effectiveness of key controls
Partnerships are efficient and effectively delivering service objectives	Actions plan to address significant weaknesses are prepared, acted & reported on
Effectiveness of financial management arrangements	

4. OBTAINING ASSURANCE FOR THE AGS

4.1 The assurance map will be developed to allow the Panel to plan for, and receive assurance on the key areas in a planned way over the course of the year, rather than immediately prior to the approval of the AGS.

4.2 The map will detail the

- assurance required against the significant risks identified.
- linkage with the risk register.
- assurance provider (e.g. internal audit, external audit, other professionals [health & safety/data protection officer], management, other external providers [Revenue & Customs]).
- gaps in assurance or areas of duplication.

4.3 The Panel will then receive 'bite size' reports/updates throughout the year in accordance with the map. This has a number of benefits.

- It will increase awareness of the wider assurance framework and how the overall assurance 'picture' is constructed for the AGS.

- It will allow the Panel to consider the value of the assurance, its credibility or relevance.
 - Where there are gaps in assurance, it will allow the Panel to request further explanation so that they can understand how that shortfall affects the overall management of a risk/assurance level.
 - It will streamline the work involved in preparing the AGS.
 - It will allow internal audit resources to be focused on those key areas that most require assurance coverage.
- 4.4 To work effectively it is important the assurance mapping exercise is proportional to the risks being faced, that the assurance provided is dynamic and the information presented to the Panel is clear and focused. An example assurance map format is attached at Annex A. Over a period of time it is expected that the map will strengthen Panel's focus on planning, receiving, evaluating and reporting on the effectiveness of the Council's governance, risk and internal control arrangements.
- 4.5 It is also proposed that the Panel will now receive a draft AGS at its June meeting for approval. This will bring our practices into line with latest best practice thinking. The draft AGS will then be able to be provided to the external auditor along with the draft accounts.
- 4.6 The draft AGS will however still receive a final review at the September Panel meeting, before being formally approved.
- 4.7 In consequence of the changes to the AGS process, it will require the internal audit planning year to return to the financial year (it currently runs from August to July), allowing the Internal Audit annual report and opinion to be considered in June, prior to Panel considering the draft AGS.

5. CONTENT OF THE AGS

- 5.1 The AGS is a long and not very readable document. A layman, without any prior knowledge of the Council or its governance structure and process, would probably find it difficult to interpret and of limited value.
- 5.2 It is proposed that the content of the AGS be reviewed and changed as necessary. Whilst the current best practice guidance includes an AGS template, the recent consultation document on ***Delivering Good Governance in Local Government*** stressed that it was an example only and that each Council should prepare an AGS that is high level, strategic and written in an open and readable style. It should be focused on outcomes and value for money.

6. PANEL INVOLVEMENT IN THESE DEVELOPMENTS

- 6.1 This approach is relatively new in the public sector and it is important that it has the full support of the Panel. It is intended to hold a workshop at which the assurance requirements of the Panel will be identified. Panel Members will also be circulated with information at relevant stages of the development of the assurance map.

7. RECOMMENDATIONS

- 7.1 It is recommended that the Panel:
- Support the introduction of an assurance mapping process.
 - Support the review of the AGS to make it clearer and more readable and to receive a draft each year at the June meeting.
 - Note the internal audit planning year will revert to the financial year.

Background Information

Delivering Good Governance in Local Government

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

Assurance Map. Example framework

Assurance Source / Evidence	Assurance Provided. <i>To include level of confidence required & that can be taken; Frequency/timeliness and source of assurance.</i>	
Assurance area: Delivery of the Council's Themes and Aims		
Service delivery plans	Is est a muneris vindico intentio boo ut ero comprehendo loquor quam bonus vel nocens res es	Management
Performance Indicators	ipsum vadum exsisto ostendo per utor of graphs ut es videlicet ut lego.	Internal Audit
O&S reviews	Id suus per bonus scribo in tunc animadverto. Quis a distinctus is planto. may fere teneo quis I'm effectus.	O & Scrutiny Panel (Economic Well-Being) 4 October 2012.
Budgetary control	Is est a muneris vindico intentio boo ut ero comprehendo loquor quam bonus vel nocens res es.	Management
Customer feedback	Id suus per bonus scribo in tunc animadverto. Quis a distinctus is planto. may fere teneo quis I'm effectus.	No assurance. *Assurance Gap*
....continued as required		
Significant Risks (separate risk register extract will be attached)		
Key Projects (if appropriate for the assurance area)		

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**INTERNAL AUDIT SERVICE
INTERNAL AUDIT PLANNING
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 This report allows the Panel to
- consider and comment upon the internal audit computer plan for the period ending March 2014 before it is finalised and approved by the Managing Director (Resources) and
 - note the changes made to the current internal audit plan.

2. COMPUTER AUDIT COVERAGE

- 2.1 Panel will recall that Deloitte's were appointed as the Council's computer audit partner in January. Due to changes within Deloitte's own management structure, the contract was without a named Engagement Manager until August. This delayed the preparation of the computer audit plan.
- 2.2 A computer audit plan has been prepared following the completion of an audit needs assessment. The needs assessment is based upon discussions with the Head of Information Management Division (IMD) and his Team Leaders, review of the risk register and analysis of current and forthcoming changes to IT systems and processes.
- 2.3 As explained earlier on the agenda, the audit planning year is returning to the financial year. To allow both Deloitte's to resource the plan against this changed timescale and IMD to support the planned audits, it is intended to base the plan on a 16 month period ending March 2014. The plan is attached and allows for 80 days to be delivered.
- 2.4 The delay in preparing the computer audit plan, together with the current proposal has resulted in savings to the budget of approx £10k for 2012/13.

3. INTERNAL AUDIT PLAN

- 3.1 The current general internal audit plan was approved for the six month period ending January 2013 and the Panel would normally receive a plan for the second half of the audit year (February – July 2013). The change to the audit year means that this report updates the current August to January 2013 plan. A plan for the 6 month period commencing April 2013 will be presented to the March meeting.

- 3.2 The current six month plan has already been amended to take account of additional work undertaken across the following areas;
- The 2010/11 final accounts process;
 - The re-development of One Leisure St Ives; and
 - Two employee investigations .
- 3.3 In addition to delivering the plan already agreed and the three items above, the resources available in February and March will allow two audits planned for the February/July period to be undertaken (the management of the commercial estate portfolio; and the Housing Benefits system review) along with the work on the assurance mapping process.

4. RECOMMENDATION

- 4.1 It is recommended that the Panel:
- a) identify any comments they wish to make to the Managing Director (Resources) before he finalises the computer or general audit plan.

ACCESS TO INFORMATION ACT 1985

Strategic Computer Audit Needs Assessment

The Internal Audit Plan: August – January.

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



Internal Audit Service
Computer Audit Plan
2012 - 2014

2012 – 2014 Computer Audit Assurance Plan

Software Licensing

Third party systems and applications usually require the purchase of relevant licences to permit usage of the software. This review will examine the processes for purchasing, reviewing and disposal of software licences and software.

Application Upgrades and Patching

The upgrading or patching of software is often required to prevent known security weaknesses being exploited and to improve functionality. This review will consider the controls associated with upgrading and patching software across the Council.

Corporate Program and Project Management and IT Governance

This review will consider the processes for approving and implementing projects that have an IT element within the Council. The audit will include a review of the process for determining how resources are to be used, conformance to national project management standards, the operational structures behind new developments, risk management and procurement issues.

Cambridgeshire Public Service Network (CPSN)

The CPSN is an IT and communications network that is bringing public services together in Cambridgeshire and beyond. The new network was officially launched in May 2012 and will connect over 400 sites including schools, libraries, County and District council offices, community action points, emergency services and voluntary groups by the end of the year. This audit will look at the management and control of the CPSN.

Gladstone MRM (One Leisure) Application

The audit will consider the adequacy and effectiveness of the Gladstone MRM application controls in use across the One Leisure service.

E-Payments

The review audit will evaluate the management control framework established and applied to help mitigate the risk of failing to meet information governance standards and statutory requirements in the processing of e-payment transactions.

IT Business and Disaster Recovery

IT Business Continuity/Disaster Recovery planning will assist the Council in the recovery of systems and data in a controlled and timely manner in the event of an unexpected disruption. This review will examine the planning, documentation, implementation and testing of the IT Business Continuity/Disaster Recovery Plan.

Advice and Assistance

Providing provide advice and assistance as required.

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

1. WORK PROGRAMME

- 1.1 Reports that are anticipated to be presented to the Panel over the course of the next year are listed at Annex A.
- 1.2 Panel are asked to consider these areas and decide what training they would like in preparation for the next or future agendas. Normally this training would 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.
- 1.3 Training can be provided by appropriate officers, external audit or external trainers (subject to budgetary constraints).
- 1.4 Hertfordshire County Council are organising a formal training event for Audit Committee members, to which the Chairman and Vice-Chairman of the Panel have been invited along with the Internal Audit & Risk Manager. Feedback will be provided informally to the Panel following the event.

If the event is considered worthwhile, then the Council will investigate organising a similar event for the Panel and Audit Committee members across the County.

2. RECOMMENDATION

- 2.11 It is recommended that Panel consider what training is to be provided prior to the March 2013 meeting.

BACKGROUND INFORMATION

None

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

Anticipated Report Programme

March 2013

Progress on issues raised in the Annual Governance Statement
 Assurance mapping
 Review of the Code of corporate governance
 Risk management
 Internal Audit: Terms of reference and strategy
 6 month audit plan
 Review of Council constitution
 Code of financial management
 Code of procurement
 External Audit
 Audit plan
 Grant claims

June 2013

Assurance mapping
 Risk management
 Draft Annual Governance Statement
 Draft statement of accounts
 Review of the internal audit service
 Internal Audit annual report & opinion
 Feedback – annual report

September 2013

Assurance mapping
 Risk management
 Approval of the Annual Governance Statement
 Internal Audit 6 month audit plan
 Effectiveness of the Panel
 Approval of the statement of accounts
 External audit – annual audit and inspection letter
 Countering fraud / delivery of the anti-fraud & corruption framework

December 2013

Assurance mapping
 Risk management
 Progress on issues raised in the Annual Governance Statement
 Review of the risk management strategy
 Internal Audit interim progress report
 Housing Benefit fraud investigation activity
 Whistleblowing : policy review & investigations
 National Fraud Initiative

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

Awards of compensation	Employee's code of conduct
Ombudsman reviews	Money laundering and bribery
Accounting policies	Review of the anti-fraud & corruption strategy