

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 25 MARCH 2015** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

**Contact  
(01480)**

## **APOLOGIES**

**1. MINUTES (Pages 1 - 8)**

To approve as a correct record the Minutes of the meeting held on 26<sup>th</sup> November 2014.

**M Sage  
388007**

**2. MEMBERS INTERESTS**

To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda Item.

**3. CORPORATE GOVERNANCE PANEL PROGRESS REPORT (Pages 9 - 12)**

To receive the Corporate Governance Panel Progress report.

**M Sage  
388007**

**4. EXTERNAL AUDIT PLAN 2014/15 (Pages 13 - 50)**

To consider a report by the Head of Resources regarding the External Audit Plan for 2014/15.

**C Mason  
388157  
R Maxwell  
388117**

**5. EXTERNAL AUDIT GRANT CERTIFICATION 2013/14 (Pages 51 - 66)**

To receive a report from the Accountancy Manager on the External Audit Grant Certification Report.

**R Maxwell  
388117  
J Taylor  
388119  
A Burns  
388122**

**6. EXTERNAL AUDITORS: ISA 260 REPORT - 2013/14: IMPLEMENTATION OF RECOMMENDATIONS (Pages 67 - 70)**

To consider a report by the Head of Resources seeking comments on the status of the implementation of the recommendations included within the External Auditor's ISA 260 report.

**C Mason  
388157  
R Maxwell  
388117**

7. **FRAUD TEAM UPDATE** (Pages 71 - 78)
- To receive a report from the Head of Customer Service to request that the Fraud Working Group be formally disbanded and to note the progress regarding the retention of a Huntingdonshire District Council Fraud Team.
- J Taylor  
388119**
8. **CODE OF FINANCIAL MANAGEMENT AND CODE OF PROCUREMENT UPDATE FOR 2015/16** (Pages 79 - 118)
- To consider a report by the Accountancy Manager and the Procurement Manager, to approve the Code of Financial Management and the Code of Procurement.
- C Mason  
388157  
R Maxwell  
388117  
N Arkle  
388104**
9. **ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL REPORT 2014/15** (Pages 119 - 124)
- To consider a report by the Accountancy Manager on accounting policies for the Annual Financial Report and to approve the amendments proposed.
- R Maxwell  
388117  
C Mason  
388157**
10. **INTERNAL AUDIT SERVICE: INTERNAL ANNUAL PLAN** (Pages 125 - 136)
- To receive a report by the Internal Audit and Risk Manager to enable the Panel to review and approve the Annual Audit Plan for 2015/16.
- D Harwood  
388115**
11. **PROGRESS ON ISSUES ARISING FROM THE 2013/14 ANNUAL GOVERNANCE STATEMENT** (Pages 137 - 142)
- To receive a report from the Internal Audit and Risk Manager to enable the Panel to note the progress made in introducing the key improvement areas from the 2013/14 Annual Governance Statement.
- D Harwood  
388115**
12. **IMPLEMENTATION OF AUDIT ACTIONS**
- To consider a report by the Internal Audit and Risk Manager providing performance information for the implementation of agreed internal Audit actions for the year ending 28<sup>th</sup> February 2015
- D Harwood  
388115**
- [TO FOLLOW]**
13. **WORK PROGRAMME AND TRAINING** (Pages 143 - 146)
- To consider a report by the Internal Audit and Risk Manager regarding the Panel's work programme and to decide what training the Panel would like in preparation for the next or future agendas.
- D Harwood  
388115**

Dated this 17 day of March 2015



Head of Paid Service

**Notes**

**1. 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 any body which has a place of business or land in the Council's area.*

**Non-Statutory Disclosable Interests**

- (4) *If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.*
- (5) *A Member has a non-statutory disclosable 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 a disclosable pecuniary interest, 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, or*
  - (c) *it relates to or is likely to affect any body –*
    - (i) *exercising functions of a public nature; or*
    - (ii) *directed to charitable purposes; or*
    - (iii) *one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.*

*and that interest is not a disclosable pecuniary interest.*

## **2. Filming, Photography and Recording at Council Meetings**

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**Please contact Democratic Services Team, Tel No. 01480 388169/e-mail [Melanie.Sage@huntingdonshire.gov.uk](mailto:Melanie.Sage@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 Committee/Panel.**

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

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

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

**If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & 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, PE29 3TN on Wednesday, 26 November 2014.

PRESENT: Councillor G J Harlock – Chairman.  
Councillors M G Baker, E R Butler,  
P Kadewere, P G Mitchell and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors K J Churchill and R Harrison.

### 104. MINUTES

The Minutes of the meeting held on 25 September 2014 were approved as a correct record and signed by the Chairman.

It was the opinion of the Panel that the Minutes did not reflect their conclusions on the need for mandatory training for Members of the Corporate Governance Panel. As a consequence it was

#### RESOLVED

that the Corporate Director (Services) be requested to consider the potential for mandatory training for Members of the Panel as part of her review of the District Council's Constitution.

### 105. MEMBERS INTERESTS

No declarations were received from those Members that were present.

### 106. CORPORATE GOVERNANCE PROGRESS REPORT

The Panel received and noted a report (a copy of which is appended in the Minute Book) which contained details of actions taken in response to recent discussions. Members were informed that there had been no response to the Panel's letter to the Local Government Association outlining their concerns over the cost to the authority of auditing benefit claims.

In response to a question from the Chairman as to the current position with regard to the roll-out of the Employee Handbook, the Head of Resources undertook to establish the reasons for the delay and report back to the Panel.

In response to the Panel's previous request for clarification on the respective roles of the Overview and Scrutiny Panel (Economic Well-Being), the Cabinet, Corporate Governance Panel and the Risk

Management Champion in managing risk within the Council, the Internal Audit and Risk Manager explained that the matter had been referred to the Risk Governance Board.

Finally, it was re-affirmed that all actions should remain in the progress report until the Panel were satisfied with the action that had been undertaken.

**107. EXTERNAL AUDITORS: ANNUAL AUDIT LETTER 2013/14**

With the aid of a report by the Head of Resources (a copy of which is appended in the Minute Book) the Panel gave consideration to the Annual Audit Letter for 2013/14. The letter outlined the Auditor's findings, recommendations and fees for their work in respect of 2013/14 and had been produced following the completion of the Council's Annual Financial Report.

In considering the contents of the Audit Letter, Panel Members drew attention to the words of caution "that the ongoing achievement of savings together with the impact of future financial settlements should remain a key focus for the Council" and were assured that due regard had been taken of this advice within the Council's Financial Planning processes. With regard to the auditor's recommendations that the Council should extend their related party identification procedures, the Panel noted that management will seek views from other practitioners in preparation for the closure of 2014/15 accounts.

Having noted that the Auditors Final Fees had yet to be agreed with the Authority and the Audit Commission, Panel Members received an explanation of the charging process and noted that additional work had arisen during the course of the year. Having been assured that the final fees would be challenged by the Head of Resources, it was

RESOLVED

that the Annual Audit Letter from the Council's External Auditors, PricewaterhouseCooper for 2013/14 be formally received.

**108. VALUE FOR MONEY AT HUNTINGDONSHIRE DISTRICT COUNCIL**

Further to Minute No. 78/14, the Panel considered the annual report by the Head of Resources (a copy of which is appended in the Minute Book) on the Council's achievement of Value for Money (VfM) Members were advised that the report had been divided into two sections - value for money at service delivery level and value for money in corporate activity. The Panel's attention was drawn to the opinion of the Council's Responsible Financial Offer in each area.

In considering the corporate activities which are undertaken to secure value for money for the Authority, Members drew attention to the failings which had been identified in the delivery of the Huntingdon Multi-Storey Car Park and the re-development of facilities at One Leisure, St Ives. Members were reminded that following the 2012/13 external audit report, a number of measures (including the establishment of a number of Governance Boards) had been put in

place to improve the Council's approach to project management. However the projects referred to had commenced prior to these new arrangements being put into place. Members were firmly of the opinion that this situation should not be allowed to re-occur.

With reference to the specific projects outlined above, Councillor P G Mitchell explained that the Overview and Scrutiny Panel (Economic Well-Being), would be investigating these matters further, together within the Council's approach to project management more generally. Members were of the opinion that the resulting report should be presented to the Corporate Governance Panel to enable Members to make an informed comment on the Annual Governance Statement in due course. It was also suggested that the Council's Procurement Manager should be invited to attend a future meeting of the Panel to provide his comments on the extent to which Council Officers were following procurement recommendations and the effectiveness of his role within the organisation.

In response to a number of general questions, the Head of Resources outlined the mechanisms which would be used to measure value for money on an ongoing basis and the ways in which elected Councillors could help through ensuring that value for money is at the heart of everything that they do. It was the view of the Head of Resources that the Council had made great strides in establishing new corporate processes and practices that should improve the Council's corporate approach towards the achievement of value for money.

The Head of Resources then proceeded to respond to a number of specific questions raised by Panel Members with regard to the corporate policy related processes which the Council had in place that aimed to ensure that the Council achieved value for money. These related to the development of Shared Service protocols, an asset management plan for the Authority and the introduction of zero based budgeting. An explanation of the 'golden thread' approach to performance management was also provided and Members were reminded that the need to embed this approach within the organisation had been identified as an issue within the Annual Governance Statement for last year.

Finally Members reviewed the outcome of the table top review of value for money at service delivery level. In response to a question as to whether there was any potential to standardise the activities which were being undertaken in different service areas, the Panel were informed that the Council's Senior Management Team were keen to develop a more standardised approach.

Having noted the intention to prepare a further report on an annual basis, the Panel commended the Head of Resources on the provision of an honest opinion. Whereupon, it was

**RESOLVED**

that the contents of the report be noted.

**109. ANNUAL REPORT ON THE FREEDOM OF INFORMATION (FOI) AND ENVIRONMENTAL INFORMATION REGULATIONS (EIR) ACTS**

With the assistance of a report by the Head of Customer 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 (FOI) and Environmental Regulations Acts.

Members were informed that the number of requests had continued to rise in 2014 and at the same time a number of staffing vacancies within the Division had impacted on the target time for responses. The Panel congratulated Officers on only receiving 3 complaints with regard to the handling of FOI requests during this time.

In response to a number of questions raised by the Panel, Members received an explanation of the powers of the Information Commissioner in dealing with complaints. An explanation as to why it was difficult for the Authority to prepare a standardised response to the requests which were received on a similar subject was also provided. Whereupon, it was

RESOLVED

that the content of the report now submitted be noted.

**110. ANNUAL REVIEW OF WHISTLEBLOWING POLICY AND PROCEDURE**

With the aid of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) the Panel were acquainted with the outcome of the review of the Council's Whistleblowing Policy and Guidance. As a consequence a number of changes were being proposed to reflect the District Council's new management structure.

The Panel was advised that Public Concern at Work (PCaW) had now issued a code of practice on the raising, handing, training and reviewing of workplace whistleblowing procedures and practices. To promote the Code, PCaW had started 'The First 100 Campaign' to encourage organisations across all sectors to sign up to the principles of the Code and work towards compliance with it.

RESOLVED

(a) that the contents of the Whistleblowing Policy and Guidance, appended to the report now submitted be approved; and

(b) that Council be recommended to become a signatory to the Public Concern at Work, 'The First 100 Campaign'.

**111. WHISTLEBLOWING CONCERNS RECEIVED**

Consideration was given to a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) summarising the issues which had been raised under the Council's Whistleblowing Policy for the period 1st January to 31st October 2014.



Members were advised that the outcome of any investigation through the Whistleblowing procedure would be provided to those who had raised a concern, provided that their contact details were available and they wished to be kept informed.

RESOLVED

that the content of the report now submitted be noted.

## **112. INTERNAL AUDIT SERVICE: INTERIM PROGRESS REPORT**

The Panel received and noted a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) on the work of the Internal Audit Service during the period April to December 2014, together with associated performance issues.

By way of introduction, the Internal Audit and Risk Manager updated the Panel on the key issues which would have an impact on the work of the service for the remainder of the year. These included the secondment of one of the Team to the post of Accountancy Manager and the decision which had been taken not to retender the IT audit service immediately following the expiration of the current contract, pending the introduction of a shared service arrangement for the Council's IT services.

Having congratulated the Internal Audit and Risk Manager on his qualification as a Chartered Member of the Institute of Internal Auditors, the Panel discussed the impact of recent staffing changes within the Audit Team on the delivery of the audit plan for the remainder of the year. Members were advised that the audit plan had been recast for the period 1st November to 31st March 2015 based on the current risks facing the Authority and the availability of resources. The Panel was assured that should the Internal Audit and Risk Manager consider that he would not be in a position to provide an adequate annual internal audit opinion, he would raise the issue with the Chief Finance Officer and report back to the Panel. In addition, the Chairman would be informed of progress with delivery of the plan and any further adjustments which may be required.

In terms of the work which had been undertaken by the Audit Service during the reporting period, Members were informed that three 'substantial', seven 'adequate' and four 'limited' assurance opinions had been issued. In response to a question by a Panel Member with regard to the latter, the Panel received an explanation as to the process for addressing the issues which had been identified to help move towards an adequate opinion. The Panel also noted the work which had been undertaken by the Internal Audit and Risk Manager during the reporting period to prepare a post project review for the Huntingdon multi-storey car park.

Attention was drawn to the 100% target which had been set for the implementation of agreed actions and Members expressed their disappointment that only 49% had been introduced on time. Whilst this would be discussed in more detail as part of the Panel's discussions on the next Agenda item, Members were reminded of the background to the decision by the Corporate Management Team to increase this target to 100%. The Internal Audit and Risk Manager

indicated that it had been rare to achieve the previous target which had been set at 60%.

Having queried the reasons why the service delivery targets were not being met, the Internal Audit and Risk Manager explained that the responsibility for these actions was outside of his direct control and lay with service managers. However Members acknowledged that there had been an improvement in three areas since March 2014

Whereupon and having agreed that the Panel would continue to monitor progress in this area, it was

RESOLVED

that the content of the report be noted.

### **113. IMPLEMENTATION OF AUDIT ACTIONS**

With the aid of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel received details of the performance by Heads of Service in implementing agreed audit actions.

Having noted that, over the period ending 31st October 2014, only 49% of the actions had been introduced, Members expressed their continuing disappointment that this remained an issue for the Authority. Reference was also made to the previous assurance which had been made that the implementation of these actions would become a priority for the new Senior Management Team. In response to a comment as to whether there had been any improvement during the course of the past 12 months, Members attention was drawn to the information which had been produced as part of the previous agenda item which demonstrated a downward trend in the percentage of actions introduced on time over the course of the past year.

In terms of the specific audit actions which were outstanding, Members were particularly concerned to note that 6 of these had been identified as 'red' and therefore represented a significant risk to the Authority. It was suggested that the Chairman and the Vice-Chairman should be briefed on these actions outside of the meeting such that they were better informed as to the level of risk which they might represent to the Authority.

Members then discussed the action which could be taken by the Panel to ensure that this situation was improved. Members were of the opinion that the Managing Director should be made aware of the Panel's disappointment that there appeared to have been very little progress in addressing the issue and of the need to do so at the earliest opportunity. In response to a suggestion that the Panel should hold to account Officers who failed to implement fully, on a timely basis, agreed audit actions, the Council's Chief Finance Officer indicated that it was his intention to give further consideration to the establishment of a mechanism by which Heads of Service would be made more accountable for the implementation of agreed audit actions and suggested that any further action should be considered once this had been undertaken. He also provided an assurance that

the matter would be addressed.

#### RESOLVED

- (a) that the Panel's continuing concerns be brought to the attention of the Managing Director;
- (b) that the Internal Audit and Risk Manager be requested to submit a further report to the Panel's next meeting, to provide an update on the current position and to identify the trends in the implementation of agreed audit actions; and
- (c) that in the event of no improvement in performance, a further discussion on the action which the Panel wishes to take to address the situation be held at the next meeting.

#### **114. WORK PROGRAMME AND TRAINING**

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) Members were acquainted with a work programme for the Panel for the period January to December 2015. The Panel were advised that their request for training on the Council's accounts would be taken forward through a series of informal meetings as suggested at the last meeting.

With regard to a suggestion which had been made at their previous meeting that the performance of all Members of the Council should be evaluated to improve the effectiveness of Members within the Authority, the Internal Audit and Risk Manager was asked to establish the position with regard to this request.

Chairman

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**CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

<b>Panel Date</b>	<b>Decision</b>	<b>Date for Action</b>	<b>Action Taken</b>	<b>Officer Responsible</b>	<b>Deleted from future list</b>
14/05/14	<b><u>Monitoring the Effectiveness of the Control Environment: Value for Money</u></b> Requested an annual report on the arrangements in place to support the achievement of value for money.		The first report was presented to the Panel's meeting in November 2014. Further reports will be presented on an annual basis.	Head of Resources	Yes
26/11/14	<b><u>Employee Handbook</u></b> Asked the Head of Resources to report back on the reasons for the delay with the roll-out of the Employee Handbook.		The Code of Conduct which had previously been called the Employee Handbook was issued to Employees from 8 <sup>th</sup> December 2014. An Employee Handbook containing more general employee information (i.e. employee benefits) is now being prepared for launch in April 2015.	Head of Resources / Corporate Team Manager	Yes
23/07/2014	<b><u>Preparing the Annual Governance Statement</u></b> Request that the inclusion of corporate surveys in future statements be discussed with the Managing Director.	June 2015	Information in respect of corporate surveys undertaken will be included in the supporting papers presented to Panel when they consider compliance with the Code of Corporate Governance in June 2015.	Internal Audit & Risk Manager	No
23/07/2014	<b><u>Internal Audit Service – Internal Audit Plan</u></b> Significant changes to the Plan to be reported to the Panel.		Details were contained within the Internal Audit interim report presented to the Panel in November 2014.	Internal Audit & Risk Manager	Yes

**CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

<b>Panel Date</b>	<b>Decision</b>	<b>Date for Action</b>	<b>Action Taken</b>	<b>Officer Responsible</b>	<b>Deleted from future list</b>
<b>23/07/2014</b>	<b><u>Review of effectiveness:</u></b> Agreed to undertake a review of the S106 Agreement Advisory Group during 2014/15.	March 2015	The financial systems that monitor S106 funding are being replaced. It was intended to undertake an internal audit review of the S106 process prior to undertaking the effectiveness review of the Advisory Group. It is suggested that the review be postponed until December 2015 so as to allow the new financial system and associated reporting systems to be introduced.	Internal Audit & Risk Manager	No
<b>25/09/2014</b>	<b><u>Annual Report of the Panel</u></b> Authorised the Chairman to approve any changes to the report prior to its submission to Council on 17 <sup>th</sup> December 2014.	Changes to the report have been approved to by the Chairman. A copy of the report has been provided to Members of Panel and also available in the Members room.	The Panels annual report was presented to the Council in December 2014.	Internal Audit & Risk Manager	Yes
<b>25/09/2014</b>	<b><u>Effectiveness of the Panel</u></b> Recommendation to Council that the Panel's amended Terms of Reference be approved.  Referred the evaluation of Member performance to the		These were approved at the December 2014 Council meeting.  The Managing Director called a meeting with the Chairman and	Democratic Services Officer  Corporate Team Manager	Yes  No

**CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

<b>Panel Date</b>	<b>Decision</b>	<b>Date for Action</b>	<b>Action Taken</b>	<b>Officer Responsible</b>	<b>Deleted from future list</b>
	Member Development Group.		Vice Chairman to discuss this further. However, this was then cancelled. In order to take this forward, Members may wish to discuss the matter further at the next Panel meeting.		
<b>25/09/2014</b>	<b><u>Risk Register Update</u></b> Sought clarification on the respective roles of the Overview and Scrutiny Panel (Economic Well-Being), the Cabinet, Corporate Governance Panel and the Risk Management Champion in managing risk within the Council.	None stated.	This is to be discussed at the Risk Governance Board and will be considered by Corporate Management Team before being reported back to the Panel.	Head of Resources	No
<b>26/11/2014</b>	<b><u>Training</u></b> The Panel are of the opinion that there is a need for mandatory training for Members of the Corporate Governance Panel.	The Corporate Director (Services) has been asked to consider this as part of her review of the District Council's Constitution.		Corporate Director (Services)	No
<b>26/11/2014</b>	<b><u>Value for Money at HDC</u></b> Requested that the report of the Overview and Scrutiny Panel (Economic Well-Being) detailing the outcome of the			Corporate Director (Services)	

**CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

Panel Date	Decision	Date for Action	Action Taken	Officer Responsible	Deleted from future list
	<p>Select Committee on Project Management should be considered by the Panel.</p> <p>Suggested that the Council's Procurement Manager should be invited to attend a future meeting of Panel.</p>	<p>It would be better if there was a more focused reason for the Procurement Manager to attend.</p>		<p>Head of Resources</p>	
<p>26/11/2014</p>	<p><b><u>Implementation of Audit Actions</u></b></p> <p>Agreed that the Panel's continuing concerns be brought to the attention of the Managing Director.</p> <p>Requested that the Internal Audit and Risk Manager submit a further report to the Panel's next meeting, to provide an update on the current position and to identify the trends in the implementation of agreed actions.</p>	<p>January 2015</p>	<p>The Panels concerns were conveyed to the Managing Director by email after the meeting. Managing Director to respond.</p> <p>The January Panel meeting was cancelled. Information in respect of audit actions implemented for the period ending December 2014 was circulated to all Panel members by email. There is to be a standing item on the Panel agenda detailing the current position with regard to introducing internal audit actions.</p>	<p>Managing Director</p> <p>Internal Audit and Risk Manager</p>	<p>Yes</p>



## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	<b>External Audit Plan 2014/15</b>
<b>Meeting/Date:</b>	Corporate Governance Panel 25 March 2015
<b>Executive Portfolio:</b>	Resources: Councillor J A Gray
<b>Report by:</b>	Head of Resources
<b>Ward(s) affected:</b>	All Wards

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### **Executive Summary:**

PricewaterhouseCoopers are appointed by the Audit Commission as the Councils auditors and have been with the authority since 2010/11. In preparation for the 2014/15 audit, the auditors are required to inform “those charged with governance” what their plans are in respect of the forthcoming audit. The external audit plan (see Annex) shows:

- how the auditors intend to undertake the 2014/15 audit.
- the risks that they have to consider.
- considerations in respect of fraud.
- the external audit team, and
- the Audit Fee in respect of the 2014/15 audit.

### **Recommendation(s):**

It is recommended that the Panel notes the External Audit Plan for 2014/15 (attached) and:

1. comments on the plan in general, and
2. gives the auditors its views in respect of:
  - i. the £90,000 triviality threshold, and
  - ii. fraud

## 1. PURPOSE

1.1 PricewaterhouseCoopers are appointed as the Council's external auditors by the Audit Commission. As part of this appointment they are required to audit the accounts of the Council. To achieve this they issue an External Audit Plan, which is annexed to this report. The plan shows:

- how the auditors intend to undertake the 2014/15 audit.
- the risks that they have to consider.
- considerations in respect of fraud.
- the external audit team, and
- the Audit Fee in respect of the 2014/15 audit.

## 2. BACKGROUND

2.1 The Audit Commission, as part of their responsibility of audit of local government, have appointed PricewaterhouseCoopers as the Councils external auditor.

2.2 Part of their responsibility is the audit of the Councils accounts, the Annual Financial Report and as part of achieving this responsibility they issue an Audit Plan. The key auditor's responsibilities of the audit plan are:

- Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing.
- Report to the National Audit Office on the accuracy of the consolidation pack which the Authority is required to prepare for the Whole of Government Accounts.
- Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.
- Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we (*the auditors*) are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.
- Consider whether, in the public interest, we (*the auditors*) should make a report on any matter coming to our notice in the course of the audit.
- Determine whether any other action should be taken in relation to our (*the auditors*) other responsibilities under the Audit Commission Act.
- Issue a certificate that we (*the auditors*) 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

2.3 As the Corporate Governance Panel has responsibility for approving the Councils Annual Financial Report and the Annual Governance Statement, the Panel is asked to note the report and comment where it considers necessary.

## 3. AUDIT APPROACH FOR 2014/15

3.1 PwC's audit is built on a foundation of smart people, a smart approach and smart technology. This together with their six-step audit process (see below), results in an audit that is robust, insightful and relevant. The core elements of the audit are:

### 3.2 STEP 1: Client acceptance and independence

Audit engagement begins with an evaluation of the Council through the external auditor's 'acceptance & continuance system' which highlights an overall engagement risk score and highlights areas of heightened risk.

### 3.3 **STEP 2: Deep business understanding**

Audit will review the processes that the Authority has put in place to meet the increasingly challenging environment within which it operates. This will include a review of the Council's newly introduced zero based budgeting process and work involved in developing Shared Services.

### 3.4 **STEP 3: Relevant risks**

The two main categories in respect of the audit of the accounts are those relating to significant or elevated risks and the definitions of each are as follows:

- **Significant**  
Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration.
- **Elevated**  
Although not considered significant, the nature of the (£) balance/area requires specific consideration

#### 3.4.1 **Significant**

##### **i. Management override of controls**

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

For example: accounting policies; estimation bases; journal entries; key controls in respect of bank reconciliation, purchasing and loans.

##### **ii. Revenue and expenditure recognition**

When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue/expenditure recognition, evaluate which types of revenue/expenditure, revenue/expenditure transactions or assertions give rise to such risks.

For example: key controls in respect of revenue income and expenditure; application of the Code of Practice on Local Authority Accounting; detailed testing of areas considered to be of greatest risk.

#### 3.4.2 **Elevated: Valuation of non-current assets**

This will require a review of the processes surrounding asset valuations.

#### 3.4.3 **Other areas for audit review**

The auditors will review the following areas as they are considered areas that may affect the financial statements but are not considered significant or elevated:

##### **i. NDR appeals provision**

As part of the 2013/14 accounts, the Council used an external advisor to quantify the potential provision in respect of NDR appeals. The auditors will again review this provision to ensure that the risk due to incomplete or unrepresentative data is minimised.

**ii. Value for Money**

The auditors will again gain assurance that the Authority has the required financial resilience to continue to function, providing statutory services over the medium to long term. This is considered as a significant risk on the Value for Money opinion, not in relation to the opinion on the accounts.

**3.5 STEP 4: Intelligent scoping - Materiality**

Materiality for 2014/15 has been set at £1.852m, which is based on 2% of 2013/14 expenditure.

Further, the auditors have set the “triviality” level as £90,000 i.e. errors that will not have a material effect on the financial statements, even if accumulated. The auditors have requested that the views of the Panel in respect of the Triviality threshold are sought. Please note that this is the same level as was applied in 2013/14.

**Opinion of Responsible Financial Officer:**

£90,000 is a fair level for the triviality threshold. It is “large enough” to absorb the inevitable minor errors and omissions that occur within accounts closure but not too large to distort the final “financial outturn”. The types of error that are typically included within this threshold include:

- Expenditure/income that has been miscategorised – no net impact.
- Non-cash items where estimation techniques followed by the Council differ to those calculated by the auditors.

**3.6 STEP 5: Robust testing**

The audit is risk based and work is focused on those areas which are most likely to lead to a material misstatement. Further, audit work is conducted in such a way so there is full consideration and evaluation of any impacts so the final audit has “no surprises” at the year-end. There is also appropriate testing in respect of Value for Money, the Annual Governance Statement and the Whole of Government Accounts

**3.7 STEP 6: Meaningful conclusions**

The auditors fundamentally believe their audits should be valuable to their clients and to properly fulfil their role as auditors. Consequently, the primary objective is to form an independent audit opinion on the financial statements. Further audit value is achieved from the same source as audit quality so the work that is undertaken as part of the support of the audit opinion also means that the auditors should be adding value through the auditors observations, recommendations and insights.

**4 FRAUD**

The auditors will review the Councils management responsibility in respect of fraud and whether this is being discharged appropriately.

As part of the audit of the Annual Financial Report the auditors will enquire of the Panel:

- Whether you have knowledge of fraud; whether this is actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either

actual, suspected or alleged?

## 5. THE PRICEWATERHOUSECOOPERS AUDIT TEAM

The three principal audit team members are:

- **Engagement Leader;** Clive Everest.  
It is Clive's fourth year as engagement leader with the Council.
- **Engagement Manager;** Dan Deacon  
Dan has taken over from Jacqui and is an experienced audit manager within the local government sector.
- **Team Leader;** Chris Paterson  
Chris has worked previously at the Council and will lead the audit field team.

## 6. AUDIT FEE

6.1 The total audit "scale fee" for 2014/15, as set by the Audit Commission, is £98,861; this represents a significant reduction of 39% since 2011/12. A summary breakdown of audit fees is shown below:

<b>Audit Fee</b>					
	<b>Actual 2011/12</b>	<b>Actual 2012/13</b>	<b>Actual 2013/14</b>	<b>Scale 2014/15</b>	<b>Change since 2011/12</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Audit work performed under the Code of Audit Practice (*)	124,301	77,768	83,834	78,481	-37
Certification of Claims and Returns	35,000	24,484	26,269	18,380	-47
<b>Total</b>	<b>159,301</b>	<b>102,252</b>	<b>110,103</b>	<b>96,861</b>	<b>-39</b>
* This includes audit work relating to the Annual Financial Report, Value for Money and Whole of Government Accounts					

6.2 The Panel will note that there is a significant reduction in the fees relating to the Certification of Claims and Return for 2014/15 when compared to the 2013/14; however what this does not reflect is any additional work that may be required if during the audit errors are found that requires additional testing.

6.3 However, as noted in paragraph 3.3 the auditors will undertake additional non-recurrent work to respond to local audit risks in respect of the Value for Money opinion. The main element of this work will be around the Councils new "Zero Based Budgeting" approach. The work will review the new processes, evaluate the underlying assumptions in the Medium Term Financial Strategy, review supporting savings plans and verify the calculations involved in setting the budget; this is estimated to incur an audit fee of up to £7,500 (this is included in the numbers within the table above).

6.4 The auditors will update those charged with governance regarding the impact of this additional testing on the proposed audit fees in due course. The auditors have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We do not review more than three iterations of the statement of accounts and accounting statements;
- We are able to obtain assurance from your management controls;

- No '40+' testing is required for the certification of the Housing Benefit return;
- No significant further work is required on the zero based budgeting approach and the NDR appeals calculation;
- No significant changes being made by the Audit Commission to the local value for money work requirements; and
- Our value for money conclusion and accounts opinion being unqualified.

If the above prove to be unfounded, the auditors will seek a variation order to the agreed fee, to be discussed and agreed in advance with you and the Audit Commission.

## **7. LEGAL IMPLICATIONS**

7.1 There are no direct legal implications arising from this report.

## **8. RESOURCE IMPLICATIONS**

8.1 The 2014/15 budget for External Audit Fees is £116,682. This should be sufficient to meet the scale fee of £96,861 and any additional charge that may accrue if errors are found following the certification of grants and returns. For 2015/16 this budget, following zero based budgeting has been reduced to £90,000, reflecting further efficiencies once the external audit transfers to Ernst and Young for 2015/16 onwards.

## **LIST OF APPENDICES INCLUDED**

Annex – Huntingdonshire District Council “External Audit Plan 2014/15”

## **BACKGROUND PAPERS**

Working papers in Financial Services.

## **CONTACT OFFICER**

Clive Mason, Head of Resources  
( 01480 388157

Rebecca Maxwell, Accountancy Manager  
( 01480 388117

# Huntingdonshire District Council

*External Audit Plan 2014/15*

Government and  
Public Sector

March 2015

# Contents

<i>Executive summary</i>	<b>2</b>
<i>Audit approach</i>	<b>3</b>
<i>Risk of fraud</i>	<b>13</b>
<i>Your PwC team</i>	<b>15</b>
<i>Your audit fees</i>	<b>16</b>
<hr/>	
<b>Appendices</b>	<b>17</b>
<i>Appendix A: Independence threats and safeguards</i>	<b>18</b>
<i>Appendix B: Communications Plan</i>	<b>20</b>
<i>Appendix C: Audit quality</i>	<b>21</b>
<i>Appendix D: Other engagement information</i>	<b>25</b>

## **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

**20**

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

## Background

We have prepared this audit plan to provide the Corporate Governance Panel of Huntingdonshire District Council (the 'Authority') with information about our responsibilities as external auditors and how we plan to discharge them for the audit of the financial year ended 31 March 2015.

## Framework for our audit

We are appointed as your auditors by the Audit Commission as part of a national framework contract and consequently we are required to incorporate the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (the 'Audit Code') as well as the requirements of International Standards on Auditing (UK & Ireland) ('ISAs').

The remainder of this document sets out how we will discharge these responsibilities and we welcome any feedback or comments that you may have on our approach.

We look forward to discussing our report with you on 25 March 2015.

## Our Responsibilities

Our responsibilities are as follows:

*Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&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.*

*Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.*

*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.*

*Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.*

*Determine whether any other action should be taken in relation to our other responsibilities under the Audit Commission Act.*

*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.*

Our audit engagement begins with an evaluation of the Authority on our 'acceptance & continuance database' which highlights an overall engagement risk score and highlights areas of heightened risk.

# Audit approach

## The PwC Audit

1. Client acceptance & independence
2. Deep business understanding
3. Relevant risks
4. Intelligent scoping
5. Robust testing
6. Meaningful conclusions

PwC's audit is built on a foundation of smart people, a smart approach and smart technology. This together with our six-step audit process, results in an audit that is robust, insightful and relevant.



**Smart People + Smart Approach + Smart Technology = The PwC Audit**

Our unique methodology involves our people, a tailored audit approach and our use of technology. Our 'smart' approach underpins your audit. The core elements of our audit are outlined below:

### *Client acceptance & independence*

Our audit engagement begins with an evaluation of the Authority on our 'acceptance & continuance system' which highlights an overall engagement risk score and highlights areas of heightened risk.

At the beginning of our audit process we are also required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance. We have set out in Appendix A the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

### *Deep business understanding*

#### *Strategic context*

The Authority is operating in an increasingly challenging environment where many Local Government organisations are facing a continued reduction in funding from central government and increasing demand for their services, in particular in relation to social care.

In response the Authority has been implementing a wide range of changes to its internal structures, senior personnel and processes.

Our risks identified later in this plan have been considered in the above context.

#### *Understanding your business issues*

The Authority is continuing to implement ways to improve its budgeting process. A zero based budgeting exercise for expenditure has been undertaken for the 2015/16 financial year. This will help the Authority to have a more realistic expectation of future costs and confirm longer term financial viability. The Authority still however faces a need to identify and implement material levels of savings through its plans as part of its Medium Term Financial Strategy. As part of our Value for Money opinion we are required to evaluate the Authority's future financial plans to confirm resilience and therefore, given the level of savings required, as in 2013/14 we have included this as a significant risk for the value for money opinion (but not for the accounts opinion) within our plan.

The Authority is planning to increase the level of work undertaken through Shared Services. Strategic partnerships with other local authorities are being explored across a range of services including IT, Building Control and Legal. While these services will cover each of the Councils from 1 April 2015, there is no current plan to change the service provision or fully outsource operations. Furthermore, no changes are planned to occur prior to the financial year end. As such, as at the planning stage, this has not been included as an elevated or significant risk within the plan.

## Relevant risks

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2014/15 prior to considering the impact of controls, as required by auditing standards, which also draws on our understanding of your business.

We determine if risks are significant, elevated or normal and whether we are concerned with fraud, error or judgement as this helps to drive the design of our testing procedures:

- **Significant** Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration.
- **Elevated** Although not considered significant, the nature of the balance/area requires specific consideration.

The table below highlights all risks which we consider to be either significant or elevated in relation to our audit for the year ended 31 March 2015.

### Main Council Audit

Auditing Standards require us to include two fraud risks as Significant:

- **Management override of controls:**

*“Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.” ISA 240 paragraph 31; and*

- **Revenue recognition:**

*“When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.” ISA 240 paragraph 26.*

Both are considered as part of our risk assessment, as detailed below.

# Financial Statements risks

Risk	Categorisation	Audit approach
<p><b>Management override of controls</b></p> <p>ISA (UK&amp;I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant ●</p>	<p>As part of our assessment of your control environment we will consider those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We will perform procedures to:</p> <ul style="list-style-type: none"> <li>• Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards;</li> <li>• Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus;</li> <li>• Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions);</li> <li>• Understand and evaluate key controls over material theft of assets, such as bank reconciliations and dual signatories for large payments/ purchases, and independently circularise banks and loan providers;</li> <li>• Evaluate the business rationale underlying any significant and unusual transactions; and</li> <li>• Perform unpredictable procedures targeted on fraud risks.</li> </ul> <p>We may perform other audit procedures if necessary.</p>
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the recognition of expenditure in local government.</p>	<p>Significant ●</p>	<p>We will obtain an understanding of and evaluate key controls over the recognition of revenue and expenditure.</p> <p>We will evaluate and test the accounting policies for income and expenditure recognition to ensure that these are consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We will also perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>We will consider journals affecting revenue and expenditure recognition within our work on management override above.</p>

## Risk

### Valuation of non-current assets

The Council's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.

Whilst you are only required to re-value your property, plant and equipment at least once every 5 years, there is a requirement to assess the carrying value of your assets for impairment every year.

Specific areas of risk include:

- The accuracy and completeness of detailed information on assets;
- Whether the Council's assumptions underlying the classification of assets are appropriate; and
- The valuer's methodology, assumptions and underlying data, and our access to these.

## Categorisation Audit approach

### Elevated

Where asset valuations are undertaken in-year we will:

- agree the source data used by your valuer to supporting records;
- assess the work of your valuer through use of our own internal specialists; and
- agree the outputs to your fixed asset register and statements.

Where any changes to valuation bases are proposed we will work with you to understand and evaluate the rationale you are using on a timely basis.

Where assets are not revalued in-year, we will review your impairment assessment and your consideration of the appropriate current value of these assets, and evaluate whether your assets are held at an appropriate value in your statements at the year-end.



## Risk

### NDR appeals provision

With the localisation of NDR collection in 2013/14, a provision was introduced within the financial statements in relation to the potential for successful appeals. To calculate this balance, the Authority used external advisors to evaluate the likelihood of current appeals to succeed, based on historical information. This resulted in a provision of £5.1m within the collection fund.

The Authority will again use external advisors to help in the calculation of the current provision. The accuracy of the calculation should increase this year, due to having more data on which to base the assumptions. There remains the risk, however, that incomplete or unrepresentative data is used within the calculation. Furthermore, there is continued uncertainty as to whether the provision should include an estimate for currently unclaimed appeals.

## Categorisation

Normal

We have presently assessed this as being a “normal” risk, as we expect there to be only immaterial change in the provision in FY15. If this proves not to be the case, or if appeals not yet received are directed to be included in this estimate, then we will reconsider if this reverts to the FY14 level of being an elevated risk.

We will review the calculation of the NDR appeals provision, assessing:

- the completeness of data used to form assumptions;
- whether the data has appropriately filtered anomalies to provide a realistic likelihood;
- whether the Council has correctly included/excluded potential appeals; and
- whether the mathematical calculation of the provision is correct.

## Audit approach

## Other Code responsibilities risks – value for money opinion

Risk	Categorisation	Audit approach
<p>With continued pressure on Local Government funding as a result of reductions in Central Government grants, the financial resilience of Councils has been tested in recent years. It is unlikely that this will change in the medium term future, with a potential for further savings being required.</p> <p>Alongside the above, the Authority has been through a process of zero based budgeting for expenditure from 2015/16 onwards. This should allow a more accurate expectation of future costs and therefore any budget gap remaining. However, as this process is new, there is a risk that estimations are incorrect or assumptions unrealistic, and therefore the budget gap is understated.</p>	<p>Significant on VfM opinion only, not opinion on accounts ●</p>	<p>Our work will seek to gain assurance that the Authority has the required financial resilience to continue to function, providing statutory services, over the medium to long term.</p> <p>We will therefore:</p> <ul style="list-style-type: none"> <li>• Review the Council's financial planning and budget setting/monitoring processes to identify any areas of concern, in particular where the zero base budgeting exercise has identified potentially material reductions in costs;</li> <li>• Review the Medium Term Financial Strategy (MTFS), ensuring it takes the new budgeting process into account to estimate future year costs;</li> <li>• Review the level of savings envisaged in the MTFS and the extent to which these are supported by detailed savings plans;</li> <li>• Review management's assessment of key assumptions in the MTFS; and</li> <li>• Review a sample of savings plans to determine how detailed these are and their consistency with the MTFS.</li> </ul>



**Overall  
Materiality:  
£1,852,000**

**Triviality:  
£90,000**

## *Intelligent scoping Materiality*

Overall materiality	£1,852,000
Clearly trivial reporting de minimis	£90,000

We set overall materiality to assist our planning of the overall audit strategy and to assess the impact of any adjustments identified.

Overall materiality has initially been set at 2% of 2013/14 expenditure. We will update this assessment as necessary in light of the Authority's actual results for 2014/15.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. As part of our audit planning procedures we have identified that all misstatements less than £90,000 could be classed as clearly trivial and we would like to seek the Corporate Governance Panel's views on this de minimis threshold.

## **Robust Testing**

### **Where we do our work**

As previously mentioned our audit is risk based which means we focus our work on those areas which, in our judgement, are most likely to lead to a material misstatement. In summary, we will:

- Consider the key risks arising from internal developments and external factors such as policy, regulatory or accounting changes;
- Consider the robustness of the control environment, including the governance structure, the operating environment, the information systems and processes and the financial reporting procedures in operation;
- Understand the control activities operating over key financial cycles which affect the production of the year-end financial statements;
- Validate key controls relevant to the audit approach; and
- Perform substantive testing on transactions and balances as required.

### **When we do our work**

Our audit is designed to quickly consider and evaluate the impact of issues arising to ensure that we deliver a no surprises audit at year-end. This involves early testing at an interim stage and open and timely communication with management to ensure that we meet all statutory reporting deadlines. We engage early, enabling us to debate issues with you. We have summarised our formal communications plan in Appendix B.

### **Value for Money Work**

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.

The Audit Commission guidance includes 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.

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

### **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 is required to be presented by the Authority with the Statement of Accounts.

We will review 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.

### **Whole of Government Accounts**

We are 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 if they are consistent or inconsistent with the Statement of Accounts.

### **Meaningful conclusions**

We believe fundamentally in the value of the audit and that audits need to be designed to be valuable to our clients to properly fulfil our role as auditors.

In designing the Authority audit, our primary objective is to form an independent audit opinion on the financial statements; however, we also aim to provide insight.

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also means that we should be giving you value through our observations, recommendations and insights. We will share insights and observations with you in our audit reports throughout the year.

We have also developed a Local Government Centre of Excellence which supports your audit team in all aspects of the audit, including sharing insight and observations gained from audit teams across the country.

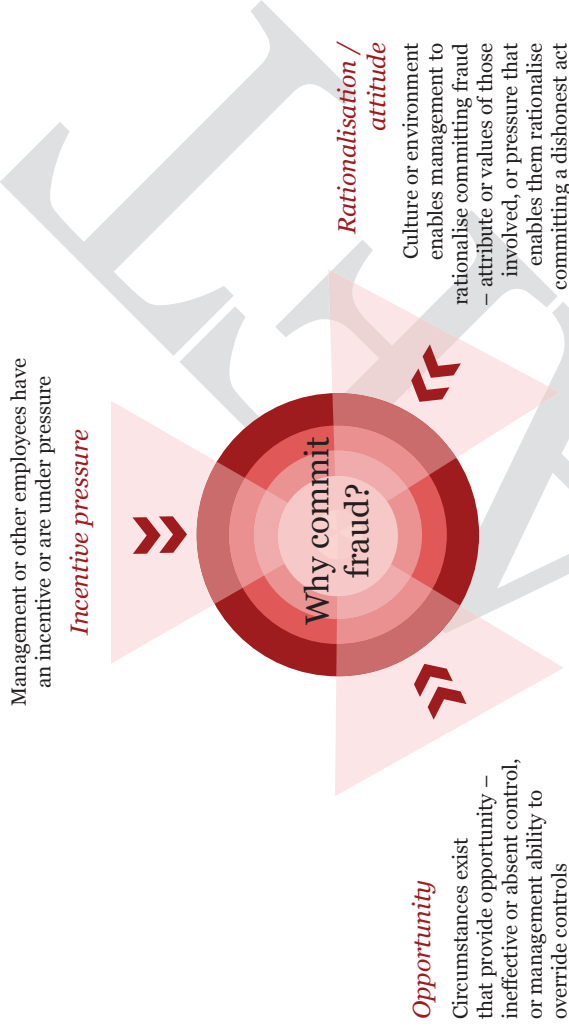
*There is a risk of fraud in any organisation. Here we set out the responsibilities of the relevant parties in relation to fraud.*

# Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of the Corporate Governance Panel
<p>Our objectives are:</p> <ul style="list-style-type: none"> <li>To identify and assess the risks of material misstatement of the financial statements due to fraud;</li> <li>To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and</li> <li>To respond appropriately to fraud or suspected fraud identified during the audit.</li> </ul>	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none"> <li>To design and implement programmes and controls to prevent, deter and detect fraud;</li> <li>To ensure that the entity's culture and environment promote ethical behaviour; and</li> <li>To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.</li> </ul>	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none"> <li>To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and</li> <li>To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.</li> </ul>

## Conditions under which fraud may occur



## Your views on fraud

We enquire of the Corporate Governance Panel:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

# Your PwC team

The individuals in your PwC team have been selected to bring you extensive audit experience from working with Local Authorities and the wider public sector. We also recognise that continuity in the audit team is important to you and the

senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

## Audit Team

### *Engagement Leader*

Clive Everest

[clive.m.everest@uk.pwc.com](mailto:clive.m.everest@uk.pwc.com)

0207 213 5497

## Responsibilities

Engagement Leader responsible for independently delivering the audit in line with the Audit Code (including agreeing the Audit Plan, ISA 260 Report to Those Charged with Governance and the Annual Audit Letter), quality of outputs and signing of opinions and conclusions.

This is Clive's 4<sup>th</sup> year as engagement leader at the Authority.

### *Engagement Manager*

Dan Deacon

[daniel.r.deacon@uk.pwc.com](mailto:daniel.r.deacon@uk.pwc.com)

07595 849 972

Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA 260 Report and Annual Audit Letter.

Dan is an experienced audit manager on Local Authorities, and joins the team this year, taking over from Jacqui Dudley.

### *Team Leader*

Chris Paterson

[christopher.r.paterson@uk.pwc.com](mailto:christopher.r.paterson@uk.pwc.com)

07885 615629

Responsible for leading the field team, including the audit of the statement of accounts, and governance aspects of our work. Regular liaison with the finance team. Chris was part of our audit team in 2013/14 at the Authority.

# Your audit fees

The Audit Commission has provided indicative scale fees for Local Authorities for the year ended 31 March 2015. No changes to the work programme have been proposed therefore scale audit fees for have been set at the same level as the fees applicable for 2013/14.

Our indicative audit fee, as agreed in our audit fee letter dated 8<sup>th</sup> May 2014, compared to the actual fee for 2013/14 is as follows:

Audit fee	Actual fee 2012/13 £	Actual fee 2013/14 £	Scale fee 2014/15 £
<b>Audit work performed under the Code of Audit Practice (Scale fee)</b>	70,081	70,081	70,981
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts	7,687	13,753	7,500*
<b>External audit local risk work and overruns</b>			
<b>Certification of Claims and Returns</b>	24,484	26,269	18,380
<b>Total Audit Code work</b>	<b>102,252</b>	<b>110,103</b>	<b>96,861</b>

\* Subject to approval by the Audit Commission.  
As set out in our section on audit risks on page 6, we will also need to undertake additional non-recurrent work to respond to local audit risks related to our Value for Money (VFM) opinion as this has been assessed as a significant risk. The Council needs to make material savings to balance its Medium Term Financial Strategy (MTFS) and, as part of this, has substantially changed its processes for budgeting, including the introduction of zero based budgeting. We estimate that an additional fee of approximately £5,500 - £7,500 in relation to audit work around will be required. The work will review the new processes, evaluate the underlying assumptions in the MTFS, review supporting savings plans and verify the calculations involved in setting the budgets.

- We have based the fee level on the following assumptions:
  - Officers meeting the timetable of deliverables, which we will agree in writings;
  - We do not review more than three iterations of the statement of accounts and accounting statements;
  - We are able to obtain assurance from your management controls;
  - No '40+' testing is required for the certification of the Housing Benefit return;
  - No significant further work is required on the zero based budgeting approach and the NDR appeals calculation;
  - No significant changes being made by the Audit Commission to the local value for money work requirements; and
  - Our value for money conclusion and accounts opinion being unqualified.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed and agreed in advance with you and the Audit Commission.

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# *Appendices*



# Appendix A: Independence threats and safeguards

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters and we have set out below the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

## Other services

Support provided by PwC	Value	Threats to independence and safeguards in place
Certification of claims and returns	£18,380	<p><b>Self Review Threat:</b> The audit team will conduct the certification of claims and returns and this has arisen due to our appointment as external auditors.</p> <p>There is no self review threat as we are certifying management completed grant returns and claims.</p> <p><b>Self Interest Threat:</b> As a firm, we have no financial or other interest in the results of the Council.</p> <p>We have concluded that this work does not pose a self interest threat.</p> <p><b>Management Threat:</b> PwC is not required to take any decisions on behalf of management as part of this work.</p> <p><b>Advocacy Threat:</b> We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p><b>Familiarity Threat:</b> Work complements our external audit appointment and does not present a familiarity threat.</p> <p><b>Intimidation Threat:</b> We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.</p>

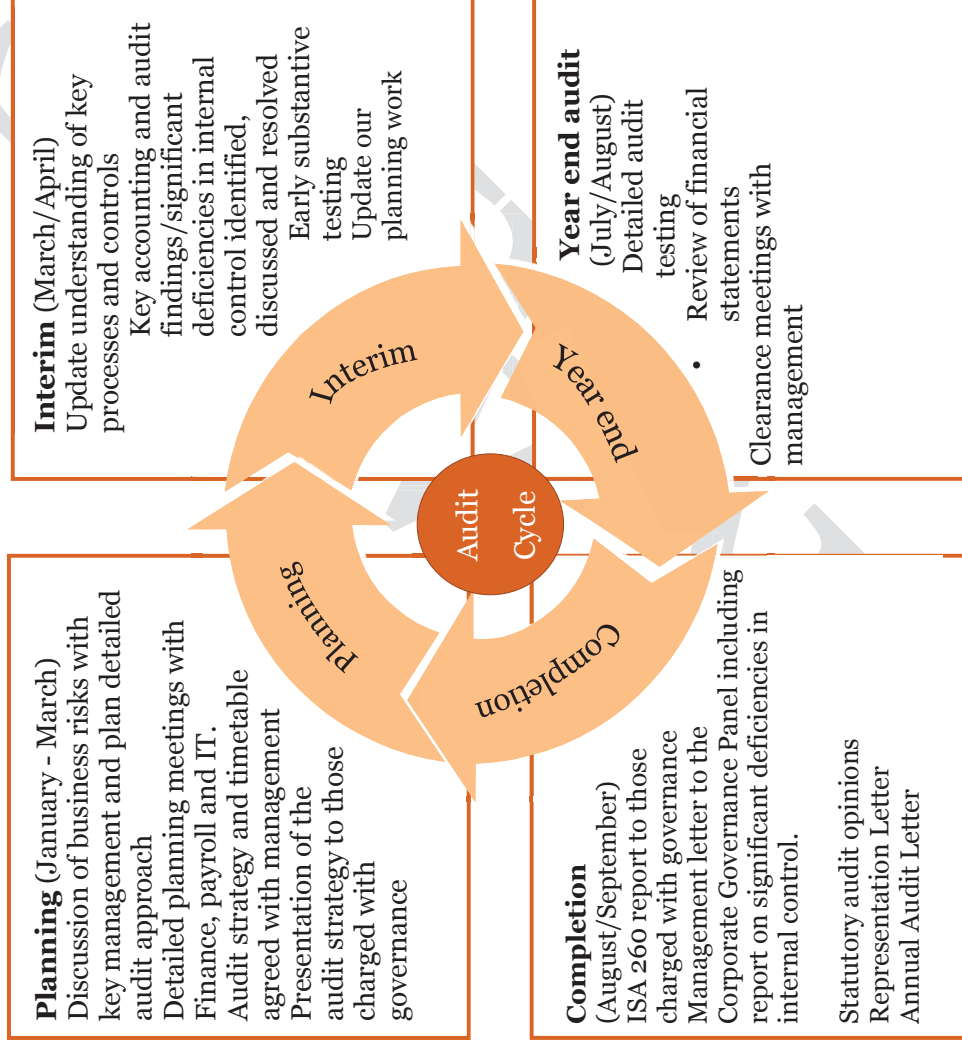
## Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Therefore at the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

REDACTED

# Appendix B: Communications Plan



## Continuous Communication

- Continuous proactive discussion of issues as and when they arise, ‘no surprises’;
- Continuous evaluation and improvement of the audit; and
- Bringing you experience of sector and best practice.

# Appendix C: Audit quality

Quality is built into every aspect of the way that we deliver the Authority audit. We take great pride in being your auditors and in the value of assurance that the audit opinion provides. A timely, independent and rigorous audit is fundamental. This in turn necessitates getting the basics right – clarity on audit risks, scope, resource, timetables, deliverables and areas of judgement – which is supported by our team that has extensive experience and relevant training.

The table below sets out some of the key ways in which we ensure we deliver a high quality audit.

Procedure	Description
People	Quality begins with our people. To ensure that every engagement team provides quality, we use carefully designed protocols for recruiting, training, promoting, assigning responsibility and managing and overseeing the work of our people. We invest significant amounts of time and money for the training and development of our audit professionals. Every new team member is carefully selected to ensure they have the right blend of technical expertise and industry experience to support the Authority audit.
Client acceptance and retention	Our client acceptance and retention standards and procedures are designed to identify risks of a client or prospective client to determine whether the risks are manageable.
Audit methodology	The same audit methodology is used for all Local Authority audit engagements, thereby ensuring uniformity and consistency in approach. Compliance with this methodology is regularly reviewed and evaluated. Comprehensive policies and procedures governing our accounting and auditing practice – covering professional and regulatory standards as well as implementation issues – are constantly updated for new professional developments and emerging issues, needs and concerns of the practice.
Technical consultation	Consultations by engagement teams, typically with senior technical partners unaffiliated with the audit engagement, are required in particular circumstances involving auditing, accounting or reporting matters including matters such as going concern and clinical quality issues. In addition, we regularly consult with our industry specialists in the Local Government Centre of Excellence and our accounting technical experts that sit on the Audit Commission Auditors' Group.

<b>Procedure</b>	<b>Description</b>
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Technical updates	<p>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance. These include:</p> <ul style="list-style-type: none"><li>• A weekly publication covering the week's accounting and business developments;</li><li>• A periodic publication providing in-depth analysis of significant accounting developments; and</li><li>• A publication issued shortly after meetings of standard setters, including IFRIC and the EITF, to provide timely feedback on issues discussed at the meeting.</li></ul> <p>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence and weekly conference calls for all Local Authority engagement teams during the final audit period. We will share our technical updates with you throughout the year.</p>
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Independence standards	<p>PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Authority, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services. Above a certain fee threshold, we then seek approval from the Audit Commission before proceeding with any work.</p>
------------------------	--

Ethics	<p>Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.</p>
--------	--

Independent review	<p>Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2014 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT.</p> <p>As auditors appointed by the Audit Commission we are also required to comply with their annual Regulatory Compliance and Quality Review programme. The results for our 2013/14 audits are expected in 2015 and will be publicly available on the Audit Commission's website should you wish to take a look.</p>
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## *Smart People*

We deploy quality people on your audit, supported by a substantial investment in training and in our industry programme. The members of staff deployed on your audit have been primarily taken from our dedicated Government and Public Sector team. These staff members have a wide and deep knowledge both of the Authority and the local government sector.

Key members of the audit team including the engagement manager and team leader have been involved in the audit of the Authority for a number of years. This ensures continuity which is beneficial both for our people and your audit through ensuring that accumulated knowledge remains within the audit team, improving the quality of the audit we deliver.

We use dedicated IT specialists on the audit and share their insight and experience of best practices with you.

## *Smart Approach*

### *Data auditing*

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2014/15 we anticipate the work will include:

- Testing journals using data analytics, ensuring we consider the complete population of journals and target our detailed testing on the items with the highest inherent risk.

## *Centre of Excellence*

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

## *Delivery centres*

We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the financial statements.

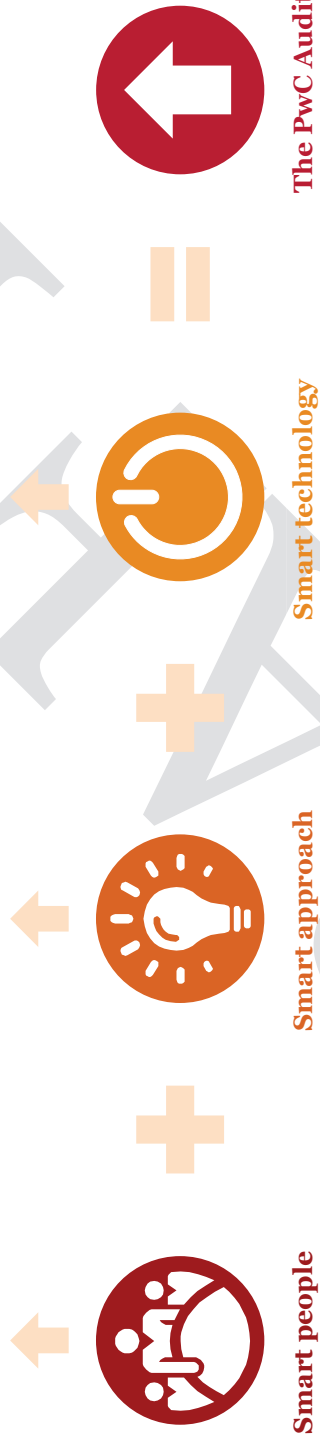
The use of our delivery centres frees up your audit team to focus on other areas of the audit.

We have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in Poland and Germany for the facilitation of basic audit tasks, as highlighted earlier. We have also agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring. Further information is included in Appendix E.

## Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities.

Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key Authority audit cycles.



**Our 'smart' approach underpins your audit**



# Appendix D: Other engagement information

The Audit Commission appoint us as auditors to Huntingdonshire District Council and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors.

There are five further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

## *Electronic communication*

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or



in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

### *Access to audit working papers*

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

### *Overseas processing of information*

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in Poland and Germany for the facilitation of basic audit tasks. Please refer to the letter at the end of this Appendix for further information on the types of tasks we may off-shore. We confirm that:

- When work is off-shored the firm delivering the audit remains entirely responsible for the conduct of the audit. As such the data will be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data;
- All firms within the PricewaterhouseCoopers network, including the PwC Service Delivery Centres, have signed an intra-group data protection agreement which includes data protection obligations equivalent to those set out in the EU model contract for the transfer of personal data to data processors outside of the European Economic Area;
- We shall comply at all times with the seventh principle in Part 1 of Schedule 1 to the Data Protection Act 1998;
- Your audit team members will remain your key audit contacts, you will not need to communicate with our overseas delivery teams;
- The audit team members are responsible for reviewing all of the work performed by the overseas delivery teams;
- We already successfully use a UK based delivery centre for financial statements quality checks and that this service will remain in the UK.

If you have any questions regarding this process or if you require further information then please contact Dan Deacon.

### *Quality arrangements*

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

### *Events arising between signature of accounts and their publication*

ISA (UK&I) 560 places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

## *Appendix E: Use of service centres*

Private & Confidential

Clive Mason, Section 151 Officer  
Huntingdonshire District Council  
Pathfinder House  
St Marys Street  
Huntingdon  
Cambridgeshire  
PE29 3TN

March 2015

Dear Clive

### **Working more efficiently**

As you know the Audit Commission recently tendered the audit work previously delivered by the District Audit service. This realised significant savings which have been passed on to your organisation in a reduction to your scale fee of around 40%.

As a result of this tender, suppliers have sought for opportunities to increase efficiency, whilst maintaining the level of quality. One principle which has recently been established is that certain basic parts of the audit can be off-shored. This is common practice in the private sector. When work is off-shored the firm delivering the audit and thus your audit team, remains entirely responsible for the conduct of the audit. As such the data would be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.

Examples of the work that can be off-shored are:

- Request for confirmations (Receivables, Bank or Payables);
- Verification/vouching of information to source documentation (e.g. agreeing a payable balance to invoice);

Huntingdonshire District Council

- Financial statements review;
- Mathematical accuracy checks of data;
- Research; and
- Preparation of lead schedules.

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres, for example, in Poland and Germany for the facilitation of basic audit tasks, as highlighted above. We have agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring.

If you have any questions regarding the above, please do not hesitate to get in touch.

Yours sincerely

Clive Everest  
Engagement Leader

Huntingdonshire District Council

CONFIDENTIAL



**pwc**

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.

This document has been prepared only for Huntingdonshire District Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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Public  
Key Decision - No

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** External Audit Grant Certification 2013/14

**Meeting/Date:** Corporate Governance Panel  
25 March 2015

**Executive Portfolio:** Resources: Councillor J A Gray

**Report by:** Accountancy Manager

**Ward(s) affected:** All Wards

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### **Executive Summary:**

For 2013/14, the Council received central government grant for Housing Benefits.

Part of the control framework for such grants is that they are subject to external audit and the Councils auditors, PricewaterhouseCoopers undertake this work. As part of the auditors reporting requirements, they are required to issue an Annual Certification Report to those charged with governance, a copy is attached as Annex A.

In respect of Housing Benefits some minor errors were identified which meant that additional testing was required. The consequential impact of this additional testing is an increase to the original fee of £8,869.

### **Recommendation(s):**

It is recommended that the Panel comment on the content of the auditor's 2013/14 Grant Certification Report

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## 1. PURPOSE

- 1.1 To report to the Panel, as those charged with governance, the conclusions and recommendations of the external audit of the 2013/14 certification audit of the Housing Benefits Scheme grant claims/returns.

## 2. BACKGROUND

- 2.1 For 2013/14, the Council received a significant block of grant for the Housing Benefits Scheme (£36.6m). The grant claims/returns for this funding scheme, are subject to external audit by the Council's appointed auditor, PricewaterhouseCoopers. The findings of the audit are required to be reported to "those charged with governance"; which is the Corporate Governance Panel at the Council. The auditor's report is attached to this report as Annex A.

## 3. RESULTS OF CERTIFICATION WORK

- 3.1 The testing performed by the Council's external auditor identified two issues in respect of the Council's compliance with the scheme regulations. The issues were found during the initial testing phase; one was related to an error and the other was due to manual processing; both of these are discussed below:

- i. Errors in the manual assessment of claimant circumstances were identified during testing and the total of these errors amounted to £205.

The management response in respect of these errors is noted below:

*The Benefit section currently undertakes monthly training/refresher sessions for assessment officers in order to ensure officers are kept up to date with the latest rules and procedures and that areas where issues have been identified are addressed in order to prevent any recurrence. Additionally, 10% of new claims and changes of circumstances are checked for accuracy and earnings cases are specifically identified within this checking regime. Having reviewed the checks currently in place and considering the high volumes of cases handled by assessors every year, it is considered the value of errors identified is not unreasonable*

- ii. The Council's benefits system is unable to automate a few types of transactions. As a result manual adjustments are required to both the claimant's benefit claim and to the subsidy claim report that is extracted from the system before the claim is submitted

The management response in respect of these errors is noted below:

*Manual adjustments are checked by a senior officer before being entered onto the benefit system. This check not only validates the accuracy of the adjustment but also whether it is necessary, thus controlling the number of adjustments created. However, whilst every attempt is made to complete this work prior to the claim submission, this is not always possible due to the extremely tight deadlines.*

#### **4. KEY IMPACTS**

- 4.1 Members should note that there is no materiality on external audit grant certification work for the Department of Works and Pensions. If an error is identified, the audit instructions require that additional testing must be undertaken and this will attract an additional charge.
- 4.2 The original indicative fee for the audit of the Housing Benefits Scheme grant claims was £15,312. However, as errors were found in the initial testing there was a requirement to undertake additional testing, this resulted in a further charge of £8,869 giving a total audit cost of £24,181.

#### **5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from this report.

#### **6. RESOURCE IMPLICATIONS**

- 6.1 The overall budget for audit work in respect of 2013/14 was £0.118m and the actual fee for all audit work (accounts and grant certification, both planned and unplanned work) was £0.110m, so there was sufficient budget to meet this cost.

#### **7. LIST OF APPENDICES INCLUDED**

Annex A: The external auditors Annual Certification Report to those charged with governance 2013/14.

#### **BACKGROUND PAPERS**

Working papers in Financial Services.

#### **CONTACT OFFICER**

Rebecca Maxwell, Accountancy Manager  
( 01480 388117

John Taylor, Head of Customer Services  
( 01480 388119

Amanda Burns, Benefits Manager  
( 01480 388122

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# *Annual Certification Report 2013/14 Huntingdonshire District Council*

*Government and  
Public Sector – Annual  
Certification Report to  
those charged with  
governance.*

*February 2015*



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## **The Members of the Corporate Governance Panel**

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

13 February 2015

### **Annual Certification Report (2013/14)**

We are pleased to present our Annual Certification Report which provides members of the Corporate Governance Panel with a high level overview of the results of the certification work we have undertaken at Huntingdonshire District Council for financial year ended 31 March 2014.

We have also summarised our fees for 2013/14 certification work on page 6.

### **Results of Certification Work**

For the period ended 31 March 2014, we certified one claim and return worth a net total of £36,557,927. The claim was amended and also required a qualification letter to set out the matters arising from the certification findings. We have set out further details within the report.

We identified a number of matters relating to the Council's arrangements for the preparation of the relevant claim during the course of our work, some of which were minor in nature. The most important of these matters are brought to your attention in this report.

We ask the Corporate Governance Panel to consider the adequacy of the proposed management action plan to respond to the issues in 2013/14 as set out in Appendix A.

Yours faithfully,

PricewaterhouseCoopers LLP

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# *Table of Contents*

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Introduction	4
Scope of Work	4
Statement of Responsibilities	4
Results of Certification Work	5
Claims and Returns certified	5
Certification Fees	6
Matters Arising	7
Appendix A	9
Management Action Plan: Current year issues (2013/14)	9
Glossary	10
Audit Commission Definitions for Certification work	10

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# *Introduction*

## *Scope of Work*

Each year some grant-paying bodies may request certification, by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and are one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (CIs) issued to us by the Audit Commission; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also consider the results of certification work when performing other Code of Audit Practice work at the Council, including our conclusions on the financial statements and value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

## *Statement of Responsibilities*

The Audit Commission publishes a 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns'. This is available from the Audit Commission website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

# Results of Certification Work

## Claims and Returns certified

A summary of the claims and returns certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below.

The Audit Commission require that all matters arising are either amended for (where appropriate) and/ or reported within a qualification letter, irrespective of value.

A qualification letter was required to set out matters arising from the certification of the claim. The claim was also amended in some respects following the certification work undertaken. The most important of these matters are summarised on page 7.

All deadlines for authority submission of the claims and returns were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 6.

## Summary:

<b>CI Reference</b>	<b>Scheme Title</b>	<b>Form</b>	<b>Original Value</b>	<b>Final Value</b>	<b>Amendment</b>	<b>Qualification</b>
BEN01	Housing Benefit Subsidy	MPF720A	£36,537,686	£36,557,927	Yes	Yes

The difference between the original and final values of the above claim was an increase in subsidy due to the Council amounting to £20,241. £205 of this amount related to errors identified during the certification. The remaining difference was due to manual adjustments identified by the Council prior to the commencement of the certification work.

# Certification Fees

The fees for certification of each claim and return are set out below:

Claim/Return	2013/14 Indicative Fee *	2013/14 Variation	2013/14 Proposed Final Fee	2012/13 Billed Fee**	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	15,312	8,869	24,181	25,530	
BEN01 Council Tax Benefit Subsidy	-	-	-	2,088	Council Tax subsidy ceased in 2013/14 resulting in no requirement for auditor testing.
LAO1 National Non Domestic Rates	-	-	-	4,500	This scheme was removed from Audit Commission arrangements for 2013/14
<b>Total</b>	<b>15,312</b>	<b>8,869</b>	<b>24,181</b>	<b>32,118</b>	

These fees reflect the Council's current performance and arrangements for certification.

\* Indicative fees may subsequently be updated for Audit Commission approved variations; for example where there was a change in the level of work required.

\*\* The 2012/13 BEN01 fee was not formerly split by the Audit Commission between housing benefit and council tax benefit. We have provided an indicative split in the above table.

It may be possible to reduce fees in future should the Council improve its performance by reviewing the evidence to support claims and processing this information accurately in order to ensure that the correct benefits are awarded.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, time and issues.



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# Matters Arising

The most important matters we identified through our certification work are summarised below; further details can be found in Appendix A.

## *BENo1 Housing Benefit Subsidy Claim*

Our testing identified a number of errors in relation to the Council's compliance with Housing and Benefit regulations. In a number of cases it was possible to quantify these errors and for the Council to make appropriate amendments to the claim form. However, we also reported a number of matters to DWP in a qualification letter where no amendment could be agreed which would be representative of the whole population.

In summary these matters related to:

### **Rent Rebates – Non HRA**

- One case where earned income and child and working tax credit income had incorrectly not been applied for one period of the claim. The error resulted in an overpayment of £25.74.
- Five cases where the Council had incorrectly calculated the split of expenditure between cells 12 and 13 on the claim form. It has been identified that the errors occurred due to a system software issue that was not picked up by software providers, Northgate. The total misclassification amounts to £205.21. As the non-HRA rent rebates population is small, the Council reviewed all cases as part of the extension testing. Therefore, we were able to quantify the exact size of the error for amendment, and there was no requirement to report the matter to the DWP.

### **Rent Allowances**

- One case was identified where the Council had incorrectly calculated earned income by applying a monthly calculation when it should have been four weekly. The impact of this error resulted in an overpayment of £203.97. A misclassification error was also caused between overpayment cells amounting to £12.75.

Additional testing identified a further:

- 1) One case where earned income had been incorrectly applied resulting in an underpayment of benefit (total error value £23.91);
  - 2) Four cases where earned income had been incorrectly applied resulting in overpaid benefit totalling £33.79; and
  - 3) One case where earned income had been incorrectly applied, however this resulted in a nil impact on the benefit awarded.
- One case where the Council had incorrectly entered the Local Housing Allowance (LHA) rate, which resulted in the misstatement of a claimant's rent liability. Underpayments totalling £2.32 arose due to the incorrect calculation of the LHA rate.
  - One case where the Employment and Support Allowance (ESA) work related component rate for a 2012/13 period had been incorrectly entered using the 2013/14 rate, resulting in an underpayment of £0.21. This was identified as a system error occurring from auto downloads of claimant ESA rates. Additional testing identified 11 further exceptions, which resulted in underpayments of benefit totalling £92.92.

As there is no eligibility to subsidy for benefit which has not been paid, no amendments have been made in respect of any of the underpayments identified. The underpayments were reported to the DWP in our qualification letter dated 27 November 2014.

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Extension testing was performed by the Council in respect of each of the above matters. We are pleased to report that this testing was of good quality, and no issues arose from our re-performance of an element of this work.

### **Parameter checks**

The Council uses standardised percentage increases to up-rate some incomes within the benefit system on an annual basis. As a result, we were unable to confirm that all incomes were up-rated to the amount specified in within the Audit Commission's Certification Instructions. During testing of individual claimants we agreed all applied applicable amounts with no exceptions noted. This is a recurring issue and included in the previous one year's qualification letter. The use of standardised percentage increases to up-rate some incomes is common practice amongst local authorities.

### **Entries to final subsidy reports**

Paragraph 19 of the Certification Instructions requires that each section of the claim form (non-HRA rent rebates, rent rebates, rent allowances) agree to the final subsidy reports from the Council's benefits system, Northgate. Differences of £1 were identified in respect of each section. We have been informed by management that the difference is due to system rounding.

These errors types were not identified in the previous year, with the exception of the split of expenditure between cells 12 and 13 for non-HRA rent rebate cases and the parameter checks.

In the previous year we reported two errors in the calculation of manual adjustments made by the Council to the subsidy. There were no similar errors identified during the 2013/14 certification.

The potential quantified loss of subsidy to the Council as a result of our findings is an estimated net impact of £205.21. Our qualification letter also included a number of estimated/ extrapolated potential errors. None of these exceeded £8,000.

# Appendix A

## Management Action Plan: Current year issues (2013/14)

### BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>Several errors were identified during our testing which related to the Council's manual assessment of claimant circumstances.</p> <p>One miscalculation was identified in the assessment of a claimant's rent liability. In addition, errors were also noted over the assessment of claimant income in five cases.</p> <p>One further error was noted where a claimant's earned income and child and working tax credits had been incorrectly not applied.</p> <p>Following the errors identified, we were required to report a number of matters to the DWP in a qualification letter.</p>	<p>As a result of the increase in the number of errors identified since the prior year, the Council should review the training offered to staff and ensure that the checks currently performed over benefit assessments are sufficient.</p>	<p>The Benefit Section currently undertakes monthly training/refresher sessions for assessment officers in order to ensure officers are kept up to date with the latest rules and procedures and that areas where issues have been identified are addressed in order to prevent any recurrence. Additionally, 10% of new claims and changes of circumstances are checked for accuracy and earnings cases are specifically identified within this checking regime. Having reviewed the checks currently in place and considering the high volumes of cases handled by assessors every year, it is considered the value of errors identified (£205.21) is not unreasonable.</p>	<p>Benefit Development &amp; Support Team Manager March 2015</p>
<p>The Council's benefits system, Northgate, is unable to automate a few types of transaction. The Council is therefore required to manually amend the system to ensure that the correct benefit is awarded to claimants.</p> <p>Corresponding manual adjustments are also required to the subsidy claim report extracted from Northgate.</p> <p>Most Councils complete manual adjustment procedures prior to the submission of the final claim, which simplifies our certification work.</p>	<p>With due regard for the end of April claim submission deadline, we recommend that the Council put in place proportionate measures to limit the number of manual adjustments to the final claim.</p>	<p>Manual adjustments are checked by a senior officer before being entered onto the Northgate benefits system. This check not only validates the accuracy of the adjustment but also whether it is necessary, thus controlling the number of adjustments created. However, whilst every attempt is made to complete this work prior to the claim submission, this is not always possible due to the extremely tight deadlines.</p>	<p>Benefit Development &amp; Support Team Manager March 2015</p>

# Glossary

## Audit Commission Definitions for Certification work

### Abbreviations used in certification work are:

**‘appointed auditor’** is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

**‘assurance engagement’** is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

**‘auditor’** is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

**‘authorities’** means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

**‘certification instructions’** (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

**‘certify’** means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

**‘claims’** includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

**‘Commission’** refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

**‘grant-paying bodies’** includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

**‘returns’** are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

**‘Statement’** is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk);

**‘underlying records’** are the accounts, data and other working papers supporting entries on a claim or return.

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## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	<b>External Auditors: ISA 260 Report – 2013/14: Implementation of Recommendations</b>
<b>Meeting/Date:</b>	Corporate Governance Panel 28 January 2015
<b>Executive Portfolio:</b>	Resources: Councillor J A Gray
<b>Report by:</b>	Head of Resources
<b>Ward(s) affected:</b>	All Wards

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### **Executive Summary:**

Following the external audit of the 2013/14 Annual Financial Report, the Council's external auditor, PricewaterhouseCoopers, issued their ISA 260 Report. Within this report, the auditors:

Made four recommendations in respect of the 2013/14 Annual Financial Report:

- 3 in respect of accounting adjustments; 1 was not implemented and 2 were implemented.
- 1 in respect of Internal Control, this is yet to be implemented.

Management continues to progress with implementing all the accepted recommendations by the latest date of 30<sup>th</sup> June 2015.

Noted the progress in respect of implementing recommendations that were made following the 2012/13 Annual Financial Report. Of the 35 recommendations made at the time, three remained outstanding and all have now been implemented.

### **Recommendation(s):**

The Panel is requested to comment on the status of implementation of the recommendations included within external audit's ISA 260 report in respect of the 2012/13 and 2013/14 Annual Financial Report.

## 1. PURPOSE

- 1.1 At the conclusion of the audit of the 2013/14 Annual Financial Report, the Councils external auditor, PricewaterhouseCoopers issued their ISA 260 Report. Within this report the auditors made four recommendations to the Council that would improve both the disclosures within the 2013/14 Annual Financial Report and the internal control framework.
- 1.2 In addition, the auditors also commented on the implementation of the outstanding recommendations that had been made the previous year following the audit of the 2012/13 Annual Financial Report.

## 2. BACKGROUND

- 2.1 The Panel is designated as “those charged with governance”. Members will recall that at the meeting of the 25<sup>th</sup> September 2014 they received a draft ISA 260 report. Within this report the auditors had made four recommendations.

## 3. Implementation of Recommendations

2013/14 ISA 260

- 3.1 Of the four recommendations included in the 2013/14 ISA 260, three had an implementation date prior to this meeting and one has a date after this meeting. The table below gives a summary of the current implementation position.

IAS 260 (2012/13) - Recommendations Implemented		Accounts	Internal Control
Implementation date <b>before</b> September 2014 Corporate Governance Panel	- Not implemented	1	0
	- Implemented	2	0
Implementation date <b>after</b> January 2015 Corporate Governance Panel	- Not Implemented	0	1
	- Implemented	0	0
<b>Total</b>		<b>3</b>	<b>1</b>

- 3.2 Of the two recommendations not currently implemented:

- One recommendation was in respect of an accounting adjustment in respect of Section 106 grants, the reason for non-implementation was notified to the Panel in September 2014.
- One recommendation in respect of Internal Control was in respect of the procedures in determining Related Party Transactions. It was noted to the Panel in September 2014 that:

“Management will seek views from other practitioners in preparation for the 2014/15 accounts closure process to determine if “member representations” are fair disclosures in respect of Related Party Transactions.”

The accounts team will be undertaking their programmed Accounts Closure Training in February and March 2015 and this item will be discussed with peers during this time.

2012/13 ISA 260



3.3 In January 2014, the Panel were informed that there were three recommendations that had been included in the 2012/13 ISA 260 report that not been implemented. In the 2013/14 ISA 260 the auditors commented on the outstanding 2012/13 recommendations. The Panel can be assured that all recommendations have now been implemented (the detail is shown in the attached Appendix).

3.3 It is expected that the external auditors will undertake their independent review of the implementation of all recommendations either at the Interim Audit (February/March 2015) or during the audit of the 2014/15 accounts (summer of 2015). They will then report back to the Panel in September 2015 with their conclusions as part of their 2014/15 ISA 260 report.

#### **4. LEGAL IMPLICATIONS**

4.1 As the Auditors recommendations are considered and addressed by this report, there are no specific legal implications arising.

#### **5. RESOURCE IMPLICATIONS**

5.1 No additional resources are required to ensure that these recommendations are implemented.

#### **LIST OF APPENDICES INCLUDED**

Appendix – Implementation of ISA 260 (2012/13) Recommendations

#### **BACKGROUND PAPERS**

Working papers in Financial Services.

#### **CONTACT OFFICER**

Clive Mason, Head of Resources  
( 01480 388157

Rebecca Maxwell, Accountancy Manager  
( 01480 388117

**Implementation of ISA 260 (2012/13) Recommendations**

**APPENDIX**

Issue	Commentary <small>(extract from ISA 260)</small>	Management Response	HoS	Activity Manager	Deadline for achievement	UPDATE
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28th January 2015

**Recommendations not yet implemented as at 29th January 2013**

Accounting	Cut off treatment for housing and council tax benefit (page 8 of ISA 260 Report)	1	On the basis that there is no clear guidance, a variety of options are being used by Authorities, the amount is below materiality, any impact on the general fund would be trivial and the improvement of the information provided to the users of the accounts would be negligible, it has been deemed reasonable for the authority to continue to account on a paid basis. We have agreed this will be included as a critical accounting judgement in the Annual Financial Report which has already been amended by management. We recommend that management monitor the value year on year and consider whether adjustments should be made in future years.	>	For 2013/14 and future years financial reporting, the value of benefit payments paid in the following year that are applicable to the year of account will be determined and a consequential creditor accrual produced. To negate any impact on the General Fund Balance an equal and opposite debtor accrual will be made to reflect the amount that will be reimbursed by government.	Assistant Director (Finance & Resources)	Accountancy Manager	30 June 2014  (not possible to do prior to the financial year-end as this is an Accounts Closure task)	This approach was implemented during the 2014/15 accounts closure process. There were no negative audit comments in respect of this action.
Accounting	Estimated economic useful lives of property, plant and equipment and intangible assets (page 10 of ISA 260 Report)	5	The Authority does not depreciate additions and enhancements in the year of acquisition. We confirmed that the impact of depreciating in the year of acquisition is not material. We recommend that management ensures that they continue to review the reasonableness of applying this policy on an annual basis.	>	Agreed	Assistant Director (Finance & Resources)	Accountancy Manager	30 June 2014  (not possible to do prior to the financial year-end as this is an Accounts Closure task)	This approach was implemented during the 2014/15 accounts closure process. There were no negative audit comments in respect of this action.
Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.5	Some items are held on central codes pending allocation to individual services so that the net budget is achieved but all of the budget may not be allocated to services at that time.	>	This relates to certain shared items that are often technical or cross service. For example the provision for inflation before it is allocated at detailed budget level or a restructuring where it is not yet clear what the impact will be on the individual service budgets. It will only be used where unavoidable and only for as long as necessary.	Assistant Director (Finance & Resources)	Accountancy Manager	30-Apr-14	This approach was implemented during the 2014/15 accounts closure process. There were no negative audit comments in respect of this action.

## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title/Subject Matter:</b>	Fraud Team Update
<b>Meeting/Date:</b>	Corporate Governance Panel – 25 <sup>th</sup> March 2015
<b>Executive Portfolio:</b>	Customer Service
<b>Report by:</b>	Head of Customer Service
<b>Ward(s) affected:</b>	All

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### **Executive Summary:**

This paper asks Corporate Governance Panel to close the Fraud Working Group and note progress towards retaining a HDC Fraud Team after the transfer of responsibility of welfare fraud investigation to the DWP.

Good progress has been made and it is expected transfer to the DWP will happen on schedule leaving a smaller retained HDC service that is well placed to continue tackling Fraud on behalf of the Council.

### **Recommendation(s):**

The panel is asked to:

- 1 Formally record the closure of the Fraud Working Group, noting it has completed the tasks set out in its Terms of Reference**
- 2 Note the ongoing work to deliver a HDC Fraud Service once the transfer of welfare fraud investigation to the DWP has been completed.**

## 1. PURPOSE

- 1.1 This report confirms the Terms of Reference of the Fraud Working Group have been discharged and updates Corporate Governance Panel (CGP) on progress with delivery against Cabinet's decision to retain a HDC Fraud Team after transfer of welfare related fraud to the Department for Work & Pensions (DWP).

## 2. BACKGROUND

- 2.1 In 2014 the CGP formed a Fraud Working Group, the ToR of which were:

*.....The fraud working group shall review the current performance of the corporate fraud team and the financial and non-financial benefits to be gained for the Council and the "public purse" from the investigation of non-welfare fraud and whether or not the Council should be recommended to make resources available for non-welfare fraud once the Single Fraud Investigation Service (SFIS) becomes operational*

- 2.2 At its meeting on 25th September 2014 the CGP recommended to Cabinet that 'HDC retained a smaller Fraud Team, with the aim of being cost neutral'. This was based on efforts of the Working Group and a paper from Officers.

- 2.2 Cabinet met on the 23rd October 2014, and noted the findings of CGP. Cabinet agreed 'that the Council retains a fraud presence post SFIS be adopted but that Officers continue to pursue consideration of shared service options with partner authorities by 2016'

## 3. ANALYSIS

- 3.1 The decisions of CGP and Cabinet in late 2014 have ensured the Council will make resources available for non-welfare related fraud once SFIS becomes operational. This confirms the ToR of the Working Group have been met.

- 3.2 Since these decisions Officers have looked at what the **retained team** will be doing and what resources should be retained.

- 3.3 The Council will retain four posts at HDC. The team will become part of the Benefits Team; this is a good fit for them. They will focus investigations on Council Tax Support, Single Person discount, tenancy fraud and any other relevant fraud matters. They will also be a key liaison point for the DWP when investigations into benefit fraud are conducted.

- 3.4 Three Officers will move to SFIS and these posts will be removed from the establishment. In addition the vacant Fraud Manager post has been closed as part of the latest budget approval from Council (creating a saving of c£61k p.a.).

- 3.5 An informal consultation with staff has been completed in order to 'test' the future structure. Staff welcomed the proposals and supported the conclusions reached.

- 3.6 Consultation on the size and nature of the team has involved the Executive Councillor for Customer Service, and the proposed structure was shared with the Chair and Vice-Chair of CGP, receiving a favourable reaction. The Corporate Director (Services), s151 Officer and Audit Manager have also been consulted. Again they are supportive.

- 3.7 Staff Council have also been involved and they are supporting staff with HR issues as the changes are brought into place
- 3.8 Officers from HDC have met with DWP and agreed timescales for the transfer process. A formal consultation is now underway with staff. At the moment there is a good match between the posts HDC want to retain and the people who want to stay at HDC - and with those Officers who prefer to transfer the DWP – so the process of retention/transfer should go well.
- 3.9 In addition to implementing Cabinet’s recommendation to retain the service, effort has also been put into **developing shared service** opportunities. HDC, and a number of other local partners, successfully bid for £330k of funding from DCLG to expand the already successful shared working on fraud (the Cambridgeshire Tenancy Fraud Forum) to cover more types of fraud and introduce new ways of detecting fraud using the latest technology.
- 3.10 This partnership involves SCDC, Cambs City, ECDC, FDC and Cambs County Council. Working in this way allows all partners to share resources and explore the potential benefits of working more closely in the future. Members should note all Councils in the Cambridgeshire area are undergoing transfer to SFIS at the moment – allowing this to happen prior to examining more detailed shares service work is a prudent step.

**4. COMMENTS OF OVERVIEW & SCRUTINY PANEL**

- 4.1 None - this paper is for CGP only

**5. KEY IMPACTS/RISKS?  
HOW WILL THEY BE ADDRESSED?**

- 5.1 All current HDC staff may elect to transfer to the DWP, leaving HDC without a Fraud Team. Close consultation and engagement with staff has clarified which staff are likely to stay, and which may leave – this risk is thought unlikely to be realised.
- 5.2 The process of transfer is a significant undertaking and this may impact operational delivery whilst transfer occurs. Officers in the team are managing workloads closely, and wherever possible cases are being programmed to begin after the SFIS transfer thereby offloading work to the DWP rather than leaving cases for HDC to progress.
- 5.3 The remaining team at HDC may need further change once it becomes operational. This risk has been minimised by examining the likely future workload, talking to other authorities who are further ahead in the implementation of SFIS and by consulting with stakeholders within the Council. It will be prudent to examine how the service is performing post-SFIS and this will be an action in the Service Plan for 2015/16.

**6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

- 6.1 The next step is to complete the necessary HR processes to transfer staff to the DWP. At the same time a number of Officers are likely to remain at HDC and they will be ‘slotted’ into remaining roles at HDC.
- 6.2 Alongside the transfer of resources to the DWP officers are preparing relevant cases and information to handover to the DWP for investigation. As this

involves a high level of confidential information there are strict protocols in place for this transfer.

- 6.3 All work to date has remained on track, and it is expected all remaining target dates will be met. SFIS transfer will formally happen on 1<sup>st</sup> May 2015.

## **7. LINK TO THE CORPORATE PLAN**

- 7.1 This activity supports 'Ensuring we are a customer focussed and service led council', and specifically delivers against the key action 'Prepare for the move to a Single Fraud Investigation Service'.

## **8. CONSULTATION**

- 8.1 No public consultation is required for this paper. Section (3) of this report details the considerable levels of consultation undertaken with Members and Officers to date with this work.

## **9. LEGAL IMPLICATIONS**

- 9.1 Legal issues around TUPE appear to be progressing. No further implications at this time.

## **10. RESOURCE IMPLICATIONS**

- 10.1 The restructure of the Fraud Team will mean the transfer of posts from HDC to the DWP. It had already been assumed in the MTFS that posts would transfer to DWP reducing the cost of this service to HDC.
- 10.2 The structure being implemented will reduce the budget further than the MTFS forecast. By transferring an additional post above the assumptions in the MTFS a further c.£42k will be saved per annum. See Appendix 1 for more detail.

## **11. OTHER IMPLICATIONS**

*(Equalities, environment, ICT, etc)*

- 11.1 None.

## **12 REASONS FOR THE RECOMMENDED DECISIONS**

- 12.1 The Fraud Working Group has completed its activity and has met its Terms of Reference. Cabinet endorsed the findings of CGP, and have decided to retain a HDC Fraud Team once transfer of work to SFIS has occurred.

- 12.2 Good progress is being made to deliver Cabinet's decision, and it is expected HDC will have an operational Fraud Team in place ready for SFIS transfer in May 2015.

- 12.3 The panel is asked to:

**12.3.1 Formally record the closure of the Fraud Working Group, noting it has completed the tasks set out in its Terms of Reference**

**12.3.2 Note the ongoing work to deliver a HDC Fraud Service once the transfer of welfare fraud investigation to the DWP has been completed**

**13. LIST OF APPENDICES INCLUDED**

Appendix 1 - Staffing structure and cost – EXEMPT – By virtue of paragraphs 1, 2 and 3 of Part 1 of Schedule 12A of the Local Government Act

**BACKGROUND PAPERS**

None

**CONTACT OFFICER**

John Taylor - Head of Customer Service  
01480 388119





By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	<b>Code of Financial Management and Code of Procurement update for 2015/16</b>
<b>Meeting/Date:</b>	Corporate Governance Panel 25 March 2015
<b>Executive Portfolio:</b>	Resources: Councillor J A Gray
<b>Report by:</b>	Accountancy Manager Procurement Manager
<b>Ward(s) affected:</b>	All Wards

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### **Executive Summary:**

The Code of Financial Management and the Code of Procurement are reviewed on an annual basis to ensure that they reflect current legislation and the changing needs of the Council. These policies underpin financial governance in the Council and are annexes to the Council's Constitution.

The Code of Financial Management is the Council's primary financial policy which sets out the financial responsibilities, financial and service planning, control of financial plans, cash and credit management, accounting procedures and capital management. With the implementation of Zero Based Budgeting (ZBB), a revised capital approval process and other changes during 2014/15, the Code of Financial Management requires updating to reflect these changes to provide clear guidance of responsibility and accountability for the 2015/16 financial year.

The Public Procurement Regulations 2015 introduces significant change to procurement legislation. The EU elements have simplified some procedures, reduced timescales and codified some long standing pieces of case law and are generally welcomed. The UK additions include the obligation to advertise new requirements and contracts awarded in a central government portal called "Contracts Finder" at the relatively low threshold of £25,000 and outlawing both the shortlisting (pre-qualification questionnaires) and awarding contracts on lowest price. The Local Government Transparency Code also adds the requirement to publish contracts awarded over £5,000 and identify Small and Medium Sized Enterprises and voluntary sector organisations.

### **Recommendation(s):**

It is recommended that the Panel agrees the report and recommends to Council the approval of:

- The Code of Financial Management, Annex A
- The Code of Procurement, Annex B

## 1. PURPOSE

- 1.1 The Code of Financial Management and the Code of Procurement are reviewed on an annual basis to ensure that they reflect current legislation and the changing needs of the Council. These policies underpin the financial governance of the Council and are annexes to the Constitution.

## 2. BACKGROUND

- 2.1 The Code of Financial Management is the Council's primary financial policy which sets out the financial responsibilities, financial and service planning, control of financial plans, cash and credit management, accounting procedures and capital management.
- 2.2 With the implementation of Zero Based Budgeting (ZBB), a revised capital approval process and other changes during 2014/15, the Code of Financial Management requires updating to reflect these changes to provide clear guidance of responsibility and accountability to Officers for the 2015/16 financial year.
- 2.3 The Code of Procurement provides the framework for compliance with current legislation as well as the basis for 'best practice'. Procurement documentation and training will be revised to comply with the changes detailed at paragraph 3 below.

## 3. The Code of Procurement

- 3.1. Beyond substantial changes to layout to simplify, there are a number of proposed changes to the Code of Procurement which are caused by two pieces of recent legislation:

- (a) The Local Government Transparency Code 2014 (as revised 3<sup>rd</sup> October 2014).
- (b) The Public Procurement Regulations 2015 (which took effect 26<sup>th</sup> February 2015 except for the requirements relating to Contracts Finder which come into force on 1<sup>st</sup> April 2015).

- 3.2 The legislation introduces four significant changes to the Code:

- (a) Pre-qualification questionnaires are now banned for competitions below the EU threshold.
- (b) All opportunities put into the public domain (regardless of value) and contract opportunities over £25,000 have to be advertised in a Crown Commercial Service portal called "Contracts Finder".
- (c) Contract awards based solely on lowest cost are no longer allowed.
- (d) All contract awards have to be published:
  - in Contracts Finder if advertised in Contracts Finder or greater than £25,000 (including mini-competitions using a framework).
  - on the Internet (via Contracts Register) if greater than £5k.

- 3.3 There are some changes proposed to simplify currently disproportionately onerous requirements (e.g. minor amendments to lower value contracts).

- 3.4 The table below sets of the proposed changes for 2015/2016

Paragraph	Section	Summary of the Changes
2	Reporting	Simplified by setting the reporting threshold to £100k from the previous EU thresholds.
2.2.	Advertising	UK additions to the EU Directive require that that any contract

		opportunity publically advertised elsewhere and or all contracts over £25k have to be advertised in a Crown Commercial Services portal called “Contracts Finder”.
2.3	Advertising	Previously we have advertised contract opportunities >£5k on the Internet using the Contracts Register but because of the overriding requirement to use Contracts Finder the proposal is to make advertising below £25k optional except where suitable contractors are unknown.
5.1	Contracts Register	Amended to include the Transparency Code requirement to record spend with Small or Medium Enterprises, voluntary or third sector organisations or charities and if the selected contractor is VAT registered.
5.3	Thresholds	<p><b>Estimates:</b> The Local Government Transparency Code requires all contract awarded over £5k are published and this is currently managed through the Contracts Register. The threshold for estimates (direct award) is therefore, maintained at £5k.</p> <p><b>Formal Quotes.</b> The requirement to advertise all requirements above £25k has been used to set the formal quote threshold.</p> <p><b>Tenders.</b> A new threshold for tenders is proposed as £75k to align with County Council and other authorities.</p>
6.2	Contract Extensions	The proposal is that in limited circumstances the Procurement Manager can approve limited extensions to contracts. This is proposed for purely practical reasons: commonly the preferred supplier’s legal team do not consider the Council’s terms and conditions until they have been given notice of preferred supplier status. Only at this late stage are potential objections and proposed changes exposed. Often in these circumstances work starts without any agreement or under a letter of intent with the consequent contractual and legal perils.
6.4 (c)	Single Quote	Where a properly advertised requirement receives only one response and there is no practical opportunity for competition then the quote may be approved by the Head of Service subject to caveats regarding advertising and compliant process.
6.4(d)	Minor Contract Extensions	This amendment allows for minor extensions to contracts awarded under the quote procedure and is in-line with EU law.
8.1	Framework Contracts	Framework contracts often permit direct award in certain circumstances. Where the framework explicitly permits direct award and the Head of Service can show both objective reasons for the selection of a supplier and evidence of best value, then a direct award would be permitted up to the tender threshold (£75,000).

9.1	Tender Procedures	The Public Procurement Directive has outlawed restricted (shortlisting) for tenders below the EU threshold. The paragraph is amended accordingly.
11.6	Tender Opening	The amendment allows the Legal Services Officer some latitude to accept late tenders in exceptional circumstances. This would only apply before any tenders have been opened and where a potential contractor could show that the delay is due to circumstances entirely beyond their control (e.g. postal strike).

#### 4. Code of Financial Management

4.1 The main changes to the Code of Financial Management are included in the table below.

Paragraph.	Section	Summary of the Changes
1.12	Budget Managers	Removal of references to the previous annexes A, B and C. The relevant budget requirements are now included within this section.  Revised vacant post authorisation process.  Inclusion of the capital authorisation process  Simplification of the Budget Managers guidance for the annual budget efficiency roles.  Clarification of the approval process for fees and charges
2.	Financial and Service Planning	Update of the annual financial cycle to reflect the revised financial reporting process.
3.1	Financial Monitoring	Clarification that the Financial Performance Monitoring Suite (FPMS) will be reported to Cabinet on a quarterly basis and to Corporate Management Team (CMT) on a monthly basis.
3.2	Commitments to Expenditure in future years	Clarification of the revised budget commitments rules.
3.3	Grants, Cost sharing and S106/CIL agreements	Inclusion of the revised capital approval process.
3.6	Budget Virements	Consistent use of correct terminology for virements.  Removal of the budget types as these are no longer relevant.  Revised process for budget virements and the removal of references to the previous Annexes.  Inclusion of a material virement amount per budget to reduce the administration associated with minor virements

		(i.e. less than £4,000 per budget).
3.7	Re phasing of Expenditure	Removed as no longer relevant to the revised budget process.
3.8	Price Base Changes	Clarification and responsibility for the inclusion of inflation in budgets.
3.9	Capital Programme	Revision of the capital approval process.
4.2	Income	Head of Customer Services changed to the Head of Resource for income collection procedures
4.3	Treasury Management	Revised name for the Treasury Management and Advisory group to Treasury Management and Investment Group and removal of the Overview and Scrutiny Chairman from the group.
4.4	Payments	Inclusion of the restriction that all Direct Debits and Standing Orders require the approval of Deputy Responsible Finance Officer (DRFO) before they are initiated.
6	Assets	Inclusion of a caveat that this process will be review within the next year therefore only minor changes have been made.
Annex A B C		Removed and where necessary information has been included in the appropriate section.

## 5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from this report.

## 6. RESOURCE IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

## LIST OF APPENDICES INCLUDED

Annex A – Changes to Code of Financial Management  
Annex B – Changes to Code of Procurement

## BACKGROUND PAPERS

Working papers in Resources.

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## Code of Financial Management

The 2015/16 Code of Financial Management includes a number of changes; reflecting both procedural changes to financial management and to reflect the new management structure.

Where previously the code stated:

- i. Head of Resources; this is now the Responsible Financial Officer; as the designated Section 151 officer (Local Government Act 1972) and Responsible Financial Officer (Accounts and Audit Regulations 2011), and
- ii. The Corporate Director (Services); this is now the Monitoring Officer
- iii. Medium Term Plan and Financial Strategy; this is now the Medium Term Financial Strategy

The main changes to the Code of Financial Management are summarised below. However, the list does not include the post title changes noted above as this would distract from the aim of showing only the “main changes”.

Paragraph.	Section	Summary of the Changes
1.12	Budget Managers	Removal of references to the previous annexes A, B and C. The relevant budget requirements are now included within this section.  Revised vacant post authorisation process.  Inclusion of the capital authorisation process  Simplification of the Budget Managers guidance for the annual budget efficiency roles.
2.	Financial and Service Planning	Update of the annual financial cycle to reflect the revised financial reporting process.
3.1	Financial Monitoring	Clarification that the Financial Performance Monitoring Suite (FPMS) will be reported to Cabinet on a quarterly basis and to Corporate Management Team (CMT) on a monthly basis.
3.2	Commitments to Expenditure in future years	Clarification of the revised budget commitments rules.
3.3	Grants, Cost sharing and S106/CIL agreements	Inclusion of the revised capital approval process.

3.6	Budget Virements	Consistent use of correct terminology for virements. Removal of the budget types as these are no longer relevant. Revised process for budget virements and the removal of references to the previous Annexes. Inclusion of a material virement amount per budget to reduce the administration associated with minor virements (i.e. less than £4,000 per budget).
3.7	Re phasing of Expenditure	Removed as no longer relevant to the revised budget process.
3.8	Price Base Changes	Clarification and responsibility for the inclusion of inflation in budgets.
3.9	Capital Programme	Revision of the capital approval process.
4.4	Payments	Inclusion of the restriction that all Direct Debits and Standing Orders require the approval of Deputy Responsible Finance Officer (DRFO) before they are initiated.
6	Assets	Inclusion of a caveat that this process will be review within the next year therefore has not been updated.
Annex A B C		Removed and where necessary information has been included in the appropriate section.

## 1. FINANCIAL RESPONSIBILITIES

### 1.1 General

Before any proposal that affects the Council's financial position is made the body or person(s) responsible for making that decision, or for making a recommendation to that body or person(s), shall consider a written report, approved by the Responsible Financial Officer, detailing the financial implications.

### 1.2 The Council

Will:

- determine the Council's Medium Term Financial Strategy (MTFS), approve the annual budget and set the level of the council tax.
- approve the Council's Treasury Management Strategy and Prudential Indicators.
- approve changes to this Code.

### 1.3 The Corporate Governance Panel

Will:

- ensure that the financial management of the Council is adequate and effective.
- ensure that the Council has a sound system of internal control including arrangements for the management of risk.
- consider the Council's Code of Corporate Governance and approve the annual statement.
- approve the internal audit charter and the annual internal audit plan and comment on the external audit plan.
- approve the Council's final accounts before publication.
- consider reports from the external auditor.
- recommend changes to this Code to the Council.

#### 1.4 **The Cabinet:**

Will:

- propose to the Council:
  - the Medium Term Financial Strategy
  - the annual budget and council tax level
  - a combined annual report including the Treasury Management Strategy, Treasury Management Policy and Prudential Indicators
 after considering the views of the appropriate Overview and Scrutiny Panel and representatives of the business community.
- set financial priorities, allocate and re-allocate resources in accordance with the limits in this Code, monitor and review financial performance.

#### 1.5 **Overview and Scrutiny Panels**

Will contribute to the development of, and review the effectiveness of, the Council's Medium Term Financial Strategy, Treasury Management and annual budget.

#### 1.6 **Cabinet, Panels and Working Groups**

Will ensure that all decisions within their remit are made within the relevant budgets and are consistent with achieving the Council's objectives. If they wish to make proposals that will require additional resources, these will need to be subject to Officers, the Cabinet or the Council making these available in accordance with this Code.

#### 1.7 **Members and Employees**

Will contribute to the general stewardship, integrity and confidence in the Council's financial affairs and comply with this Code and any systems, procedures, or policies relating to the financial management of the Council.

Specifically, they shall bring to the attention of the Responsible Financial Officer any act or omission that is contrary to the provisions of this Code or the maintenance of high standards of financial probity, and provide information or explanation on matters within their responsibility to him/her, the Monitoring Officer, Internal Audit Service or the Council's external auditors.

Any member or employee who is involved in a transaction with the Council, or who has an **interest** in a transaction between a third party and the Council, shall declare the nature and amount to the Council's Monitoring Officer before any decision on the matter is made by the Council. The Monitoring Officer will advise the member or employee of any actions they should or must take.

*For the purpose of this section an **interest** also includes any interest of a member of your family or a close associate or acquaintance. This shall be interpreted as anyone whom a reasonable member of the public might think you would be prepared to favour or disadvantage.*

- 1.8 **The Monitoring Officer** or, in his/her absence, the Deputy Monitoring Officer.

Will report to the Council on any proposal, decision or omission that in his/her view is likely to result in a contravention of the law or any code of practice enacted under it, fails to comply with a legal duty, represents maladministration or is unjust, in accordance with section 5 of the Local Government and Housing Act 1989.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

- 1.10 **The Responsible Financial Officer** or, in his/her absence, the Deputy Responsible Financial Officer.

Will be responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of a decision or action leading to unlawful expenditure, a loss or deficiency or an unlawful accounting entry (in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Act 1988 and the Accounts and Audit Regulations).

Will be responsible for ensuring the final accounts are completed and published by the statutory dates and reporting the details of any material amendments specified by the external auditor to the Corporate Governance Panel.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

- 1.11 **The Deputy Responsible Financial Officer** will be responsible for detailed and operational aspects of the administration of the Council's financial affairs on behalf of the Responsible Financial Officer, approving new financial systems and undertaking such duties as are set out in this Code.

### 1.12 **Budget Managers (Service Managers, Heads of Service, Corporate Directors and Managing Director)**

The Council's management structure is based on Service Managers, Heads of Service, Corporate Directors and the Managing Director taking responsibility for a service and its related budget. For the purpose of this Code they are referred to as Budget Managers. Whilst they retain ultimate responsibility they will often delegate appropriate tasks to their members of staff.

The Budget Manager responsible for a budget:

- will be responsible for proper financial and resource management and the prevention of fraud and corruption within the services and functions under their control.
- will be responsible for preparing and submitting the Capital Project Appraisal form to the Finance Governance Board for approval.
- will be responsible for developing and submitting a detailed business case to the Finance Governance Board (following approval of the Capital Project Appraisal form).
- will be responsible for informing the Internal Audit & Risk Manager of all suspected or notified cases of fraud, corruption or impropriety.
- may incur financial commitments and liabilities in accordance with this Code, the Council's Scheme of Delegation and resources allocated in their budgets. In particular they may make purchases of goods and services, subject to the requirements of the Code of Procurement, and employ staff, in accordance with HR policies and any CMT requirements.
- will need the approval of CMT for the recruitment of all vacant posts. The Authorisation for Filling Vacancies form should be used for this purpose.
- will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.
- will determine the inherent risks, within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of risk management and internal control, in consultation with the Internal Audit Service, and ensure that relevant employees or Members are familiar with such systems.
- will be responsible for providing in a timely manner, the information necessary to ensure that the final accounts can be completed by the statutory deadlines.
- will be responsible for seeking improvements in the efficiency of their services and in discussion with their Service Accountant, ensuring that any budget adjustments are included in the following years budget process.
- will be responsible for identifying opportunities and then bidding for grants or contributions from other bodies to support the achievement of the Council objectives through their services.

- annually review their services to identify any aspects that **are not currently charged** for, but could be and the appropriateness of the current charges. ~~to be charged for.~~ **Charges for such aspects shall be introduced unless Cabinet or both the Executive Councillor for Resources and of the relevant service considers it would not be appropriate.**
- **annually review their fees and charges in consultation with the Executive Councillor(s), with any changes being included in and approved with the annual budget. For changes within the financial year, will be subject to consultation with the executive councillor(s) and approval by Council.**
- ~~review fees and charges and introduce any resulting changes at least annually, after consultation with the relevant Executive Councillor(s) unless there is a formal requirement for the charges to be determined by Cabinet or a Panel. In doing so, they:~~
  - shall ensure that relevant legislation that specifies the charges to be made or constrains them in any way is complied with.
  - shall, after having regard to the charges of any alternative service providers with whom the Council is competing, seek to maximise income, net of applicable costs, unless it will have a clearly detrimental impact on the achievement of the Council objectives.
  - may introduce differential pricing to particular client groups where these are expected to stimulate demand and generate additional net income which would otherwise not be obtained.
  - may set prices lower than could be reasonably achieved if this is demonstrably the most cost effective way of achieving Council objectives and the necessary funding is available. Use of this option requires approval of Cabinet **or** both the Executive Councillor for Resources and of the relevant service.
  - may set fees and charges that allow an element of discretion if it can be demonstrated that this will lead to an overall benefit to the Council. It is important that any use of discretion is recorded so that it can be clearly shown that decisions have been made fairly and consistently.
  - shall keep appropriate records to demonstrate that the required actions have been undertaken and how the decisions were reached.

### 1.13 Internal Audit

Will be responsible for providing an independent and objective opinion on internal control, risk management and governance systems. It will act in accordance with the internal audit charter and undertake reviews that focus on areas of greatest risk to the Council's control environment as contained within a programme agreed annually by the Corporate

Governance Panel after consultation with the Responsible Financial Officer and Budget Managers.

For these purposes internal audit shall have free, full and unrestricted access to services and functions and all Council assets, systems, documents, information, employees and Members. All employees are required to assist internal audit to carry out its role.

**2. FINANCIAL AND SERVICE PLANNING**

**2.1 In the Summer - Overall Review**

The Cabinet shall review the financial performance of the Council in the previous year, compared with the annual budget, on the basis of the Provisional Outturn report prepared by the Deputy Responsible Financial Officer in conjunction with Budget Managers.

**2.2 In the Autumn – Preparation of the draft budget and MTFS**

The Responsible Financial Officer in conjunction with Budget Managers will review and prepare the draft annual budget and the MTFS for review by Cabinet after consultation with the relevant Overview and Scrutiny panel.

**2.3 In the Winter - Annual Budget, MTFS and Service Plans**

The Cabinet shall, after consultation with the relevant Overview and Scrutiny Panel, recommend to the Council an annual budget for the next financial year and a MTFS for the succeeding four years, incorporating both capital and revenue expenditure, which is consistent with corporate and service strategies. Following approval of the annual budget each Budget Manager shall update their Service Plan(s) to reflect the approved budget and how the resources allocated will be used to meet service objectives in the forthcoming year.

**2.4 In the Spring – Annual Finance Report**

The Deputy Responsible Finance Officer in conjunction with the Budget Managers will prepare the Annual Financial Report. The Annual Financial Report includes the statutory annual accounts which subject to external audit will be approved by both the Responsible Finance Officer and Corporate Governance Panel.

**3. CONTROLLING FINANCIAL PLANS**

**3.1 Financial Monitoring**

Budget Managers will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services. Where it is identified that there will be a significant overspend, this will be promptly reported to the Responsible Financial Officer by the Budget Manager. If it is considered necessary by the Responsible Financial Officer, the Budget Manager may have to report directly to the Corporate Management Team.

The Corporate Management Team will review, on a monthly basis, the Financial Performance Monitoring Suite (FPMS). The FPMS will be reported to Cabinet on a quarterly basis. The FPMS will be prepared by the Deputy Responsible Financial Officer, in consultation with each Budget Manager and will include the following:

- Headline summary of financial performance.
- Financial Performance Summary including impact on reserves.
- Head of Service Budget Monitoring summary including variance analysis.
- Capital programme financial summary.
- Financial Dashboard.

The Financial Dashboard is a high-level financial reporting tool and will include the following for the current financial year:

- Forecast Revenue Income and Expenditure analysis, including a subjective analysis of gross expenditure.
- Forecast Capital gross and net income and expenditure, including how the budget has changed from month-to-month and how the capital programme is to be financed.
- Analysis of Sundry Debtors, including an indication of changes in the Bad Debt Provision.
- Forecast on the net cost of the Council Tax Support Scheme.
- Forecast collection of Non-Domestic Rates and Council Tax.
- Achievement of New Homes Bonus.

### **3.2 Commitments to Expenditure in Future Years**

No new commitment to expenditure beyond the current budget year may be made unless it:

- is consistent with the achievement of the Council's objectives and other relevant strategies, **and**
- is compatible with the Council's Medium Term Financial Strategy.

If the Budget Manager has any concerns about their proposal meeting these requirements they must consult the Deputy Responsible Financial Officer.

### **3.3 Grants, Cost Sharing and S106/CIL agreements**

Where a Budget Manager proposes to take advantage of:

- receipts of grants, contributions and other forms of external funding, or
- enter cost sharing arrangements,

with other organisations, and where such arrangements will deliver additional or improved services, consistent with their Service Plan



without creating any current or future commitment to net expenditure they may do so subject to:

- the relevant Head of Service being satisfied that the project funding meets with Corporate Objectives and that the resource required to produce the bidding documents is reasonable.
- the funds being dependent upon a particular project or service being provided but, in the case of S106/CIL agreements, the location or some other aspect is at the Council's discretion.
- informing the Deputy Responsible Financial Officer of the details.
- consulting the relevant Executive Councillor(s) if the proposal exceeds £30,000 revenue or £50,000 capital in any one year with any capital having been previously agreed by the Finance Governance Board or on any discretionary element of a S106/CIL sum.

A Budget Manager may utilise sums of money received under S106/CIL, or equivalent agreements where there is no discretion. The Deputy Responsible Financial Officer should be informed of the details. The Budget Manager must also supply the Deputy Responsible Financial Officer with:

- A copy of all information that supports the grants received (grant letter etc) so a decision can be made in respect of the correct accounting treatment.
- Documentation confirming how they plan to meet any grant conditions.

#### 3.4 **Approvals for additional spending with a net impact**

The Managing Director, or in his/her absence, the Responsible Financial Officer, may incur expenditure for the immediate alleviation of hardship or suffering in the case of peacetime emergency in the District. Any exercise of this power must be reported to the Cabinet (under £350,000) or the Council (over £350,000) at the first opportunity.

The Managing Director, or in his/her absence, the Responsible Financial Officer, may incur expenditure of up to £350,000 for any purpose which is urgent and demonstrably in the Council's best interests to do so following consultation with the Executive Leader or Deputy Executive Leader. Any exercise of this power must be reported to the Cabinet at the first opportunity.

Proposals for increases to the total allocated to a budget in the current year (Supplementary Estimates) and their impact in future years may be approved by the Cabinet subject to the revenue impact not exceeding £350,000 in aggregate in any financial year. Once such approvals have been reported to Council the Cabinet's limit will be re-set. A transfer of a sum from capital to revenue will have a revenue impact and so will count as a request for additional spending.

In all other cases the approval of the Council will be required.

### 3.5 **Approvals for additional spending with compensating savings**

Proposals that require initial funding but will then result in net surpluses or savings that are at least sufficient to produce a break-even position will be supported in principle if they are:

- consistent with increasing the achievement of the Council's objectives and compatible with relevant Strategies.
- achievable within the Council's Financial Strategy.
- supported by a robust business case which includes a risk assessment.
- supported by the Chief Officers' Management Team.

The Responsible Financial Officer may approve such a scheme following consultation with the relevant Executive Councillor for the service and the Executive Councillor for Resources. The relevant budget(s) and MTFs will be appropriately adjusted.

### 3.6 **Budget Virements**

The process of moving budget resources between different areas within the budget year is called a virement. The virement of resources within, or between, any of the types of budgets is supported in principle when it will make it more likely that the Council will achieve its service objectives and targets or enhance value for money. There does, however, need to be some limitations for effective financial management and to ensure that Executive Councillors, Cabinet and Council are aware of and involved in, the more significant changes or where there is a financial implication.

These limitations are:

- The salary budgets (Pay, National Insurance and Pension) represent the Councils approved establishment list. As such the salary budgets cannot be vired to other areas of the budget. A positive salary budget variance may be used to cover the additional temperate staffing costs incurred due to vacant posts.
- The Corporate Finance budgets are those budgets that are necessary to the operation of the Council and have limited controllability. Such budgets included with this area are; Minimum Revenue Provision, Interest, Pension liability and Levies.

A Budget Manager may approve a budget virement within and between the budgets they are responsible for providing it is:

- Consistent with increasing, or at least maintaining the achievement of service objectives and compatible with the Council's Financial and other relevant Strategies.
- Not to or from a pay, NI or pension contributions budget unless it is a movement of establishment posts to another service as part of a service restructure.
- Not from capital to revenue.
- Notified to the Deputy Responsible Financial Officer.

- Each virement is over £4,000 within each service.
- Within the following limits if between service budgets:
  - Revenue to revenue £75k
  - Revenue to capital £75k
  - Capital to capital £75k

The **Corporate Management Team** may, subject to the same criteria, except for the enhanced limits shown below, approve budget virements between any budgets:

- Revenue to revenue £150k
- Revenue to capital £150k
- Capital to capital £150k

**Cabinet** may approve budget virements of up to:

- Revenue to revenue £350k
- Revenue to capital £350k
- Capital to capital £350k

In all cases, any previous transfers in the same financial year relating to those budgets shall be aggregated for determining whether the limit has been exceeded, however once the impact of any approval has been included in a relevant financial report to Council, the relevant limit will be re-set.

In all other cases the approval of the Council will be required.

### 3.7 **Price Base Changes**

Inflation will be included, if necessary during the budget process as directed by the Responsible Finance Officer.

### 3.8 **Capital Programme**

The Finance Governance Board will review and make recommendations on the ranked capital programme plan to CMT. CMT will determine if a full business case for the schemes shall be developed.

Full Business cases will be reviewed by the FGB who will recommend to CMT those schemes to be included in the MTFS and be approved by Cabinet.

FGB may recommend changes to existing schemes or the introduction of new schemes during the financial year based on the performance of, or delays incurred within the delivery of the approved capital programme plan. Changes to the schemes in the MTFS will be approved by Cabinet.

## 4. **CASH AND CREDIT MANAGEMENT**

4.1 **Banking**

The Responsible Financial Officer is responsible for all Council banking arrangements and shall maintain an account(s) with an appropriate bank(s) as defined in the Treasury Management Strategy. All transactions involving income or expenditure shall be dealt with through the Council's bank account(s).

4.2 **Income**

All employees receiving money (including cash, cheques, credit card payments etc.) must comply with the relevant procedures issued by the Head of Resources to ensure that the sums are properly recorded, receipted and banked.

No cash payment in excess of £1,000 will be accepted.

The Head of Customer Services will manage the Council Tax and Non-Domestic Rating collection service on behalf of the Council; including the billing and debt recovery procedures.

The Deputy Responsible Financial Officer shall manage a sundry debt collection service on behalf of the Council and all sums due must be registered by raising an invoice on the Council's Financial Management System.

All Budget Managers are required to ensure that:

- Invoices are raised promptly.
- The income team are advised promptly of any required invoice adjustments.
- Invoice queries are answered promptly.
- The income team are informed of any information that may affect the recovery of any invoiced sums.
- They periodically consider, in liaison with the income team, whether there would be a more effective or efficient way of collecting sums due (e.g. cash in advance).

4.3 **Treasury Management**

All Treasury Management activities will be undertaken in accordance with the Council's annual Treasury Management Strategy, which includes its policies, objectives, approach to risk management and its prudential indicators. The Strategy will comply with the Code of Practice for Treasury Management and the Prudential Code for Capital Finance, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and reflect any published Government advice.

The Council shall have overall responsibility for Treasury Management and will formally approve the annual Treasury Management Strategy and receive an annual and mid-year report on treasury management activities.

The Cabinet will be responsible for the implementation and regular monitoring of treasury management activity. The Treasury Management and Advisory Group will include:

- the Executive and Deputy Leaders, the Executive Councillor and responsible for resources. Other members can be co-opted onto the group at the discretion of the Executive Leader.
- the Managing Director, the Responsible Financial Officer and the Deputy Responsible Financial Officer. Other officers can be co-opted onto the group at the discretion of the Managing Director or the Responsible Financial Officer.

The Overview and Scrutiny (Economic Well-being) Panel will be responsible for the scrutiny of treasury management.

The execution and administration of treasury management is delegated to the Deputy Responsible Financial Officer who will establish treasury management practices for the operation of the function which will ensure compliance with the Strategy and create appropriate systems of monitoring and control.

#### 4.4 **Payments**

All payments must be made either:

- through the Council's purchase ledger system, with payments being made direct to the supplier's bank account wherever this is practicable.
- by procurement card.
- by direct debits or standing orders (after agreement from the Deputy Responsible Finance Officer).
- by some other system specifically approved by the Deputy Responsible Financial Officer.

in each case complying fully with the relevant procedures for that system (e.g. appropriate authorisation), particularly the requirement to obtain official VAT receipts, as determined by the Deputy Responsible Financial Officer. Advice can be sought from the Deputy Responsible Finance Officer.

## 5. **ACCOUNTING PROCEDURES**

### 5.1 **Best Practice**

The Council will follow the best practice guidance contained in the Accounting Code of Practice and other relevant publications produced by CIPFA in the preparation and maintenance of its accounts.

### 5.2 **Annual Financial Report**

The Annual Financial Report (formerly the Statement of Accounts) shall be presented to the Corporate Governance Panel for approval within the prescribed statutory timescale.

**5.3 Records**

Each Budget Manager is responsible for maintaining records of financial transactions and commitments and employee time, in forms agreed with the Deputy Responsible Financial Officer, and for ensuring that all financial transactions are properly recorded in the appropriate financial period and to an appropriate account within the Council's Financial Management System. Each Budget Manager is responsible for ensuring that the Financial Management System is used only by authorised individuals and for proper council purposes.

In respect of all contractual payments where the contract was required to be recorded on the Contracts Register in accordance with paragraph 3.1 of the Code of Procurement, the Budget Manager shall ensure that all invoices or payment records authorised for payment shall include in the 'Our Reference' field in Council's Financial Management System the unique Contract Register reference. This number shall be in the same format/style as allocated by the Contract Register.

**5.4 Retention of Documents**

Documents required for the verification of accounts, including invoices, shall be retained in a retrievable format for any statutory period, or otherwise for six years or such other time that is specified by the Deputy Responsible Financial Officer.

**5.5 Contingent Assets and Liabilities**

Any Officer who is aware of a material and outstanding contingent asset or liability shall notify the Deputy Responsible Financial Officer, who shall include details in the Council's accounts or in a Letter of Representation to be presented to the Council's external auditors in respect of those accounts.

**5.6 Stock**

The Deputy Responsible Financial Officer shall determine, after consultation with the relevant Budget Manager, when Stock accounts shall be maintained. This will normally be where the value of the items are significant or the items are considered to be vulnerable to loss or theft.

In such cases the relevant Budget Manager shall ensure that a certified stock-take is carried out at the end of March each year, and that records of receipt and issue of all stock are maintained throughout the year in a manner agreed with the Deputy Responsible Financial Officer.

**5.7 Insurance**

The Internal Audit Manager shall obtain insurance to protect the Council or minimise its potential losses from risks including those to employees, property, equipment and cash. Any decision not to insure significant risks must be based on a detailed risk assessment.

**5.8 Write-off of Irrecoverable Debts**

The Head of Customer Services, or in his/her absence the Deputy Responsible Financial Officer, is authorised to write-off debts with an individual value of up to £5,000, or of a greater amount after consultation with the Executive Councillor responsible for resources, having taken appropriate steps to satisfy himself/herself that the debts are irrecoverable or cannot be recovered without incurring disproportionate costs. A summary report of debts written-off shall be submitted to the Cabinet annually.

**5.9 Accounts Closure, Accounting Accruals and Estimates**

The Annual Financial Report will be produced in line with both statutory regulations and relevant Codes of Practice.

The Deputy Responsible Financial Officer will ensure that there is appropriate liaison with service teams prior to closure, including the hosting of relevant training and the issue of closure guidance and timetables. The accruals de-minimis limits will be adhered to by all services, and where estimated accruals are to be issued they are to be supported by accurate calculation. Other accounting estimates will be calculated by accountancy staff in line with professional advice.

Provisions, either for Bad Debts or other purposes will be calculated in line with the guidelines approved by the Deputy Responsible Financial Officer. Earmarked reserves can only be established with the agreement of the Responsible Financial Officer.

**6. ASSETS (Capital) –*subject to review in line with the Asset and disposal policy during 2015/16***

**6.1 Definition**

An asset is an item of land, building, road or other infrastructure, vehicle or plant, equipment, furniture and fittings or information and communications technology, (hardware and software) with a life exceeding one year.

**6.2 Control of Assets**

Each Budget Manager is responsible for ensuring that the assets relating to their services are properly safeguarded, managed and maintained, and used only to achieve the Council's objectives. This will include establishing and maintaining appropriate security, control systems and records. They will need to consult relevant officers in relation to specialist items and, where vehicles are concerned, the officer holding the Council's Operating Certificate who has specific statutory responsibilities.

Heads of Service must keep up to date records so a physical verification of all capital assets, and their condition, is possible.

**6.3 Acquisition**

The purchase of assets has to be in line with the requirements of “Best Value” and should be acquired in a similar way as goods and services are acquired (see the Code of Procurement). Heads of Service:

- should follow advice from relevant specialist colleagues in appropriate cases e.g. IMD, vehicle management, legal, procurement.
- must have received approval from the Capital and Treasury Strategy Group that the disposal of the asset is agreed.

The relevant Budget Manager shall inform the Deputy Responsible Financial Officer within 10 working days of the acquisition of an asset which meets the definition for capital expenditure:

- Plant and vehicles over £10k
- other individual items over £10k
- aggregations of similar articles amounting to £10k e.g. wheelie bins

#### 6.4 **Disposal**

The disposal of assets has to be in line with the requirements of “Best Value” and should be disposed of in a similar way as goods and services are acquired (see the Code of Procurement). Heads of Service:

- should follow advice from relevant specialist colleagues in appropriate cases e.g. IMD, vehicle management, legal, procurement.
- must have received approval from the Capital and Treasury Strategy Group that the disposal of the asset is agreed.

Once the asset is disposed of, the relevant Budget Manager will inform the Deputy Responsible Financial Officer within 10 working days of the disposal of any asset included in the Asset Register.

#### 6.5 **Capital Expenditure**

The purchase or improvement of any asset will normally be treated as capital expenditure. However, expenditure of less than £10,000 will not normally be treated as capital expenditure unless the Deputy Responsible Financial Officer considers it is in the Council’s interests to do so.

#### 6.6 **Leases**

Finance and operating leases are to be used only if they are in the Council's financial interest and with the prior formal approval of the Deputy Responsible Financial Officer.

#### 6.7 **Valuations**

In order to comply with accounting requirements assets will need to be revalued at regular intervals. A three year “phased” revaluation programme will be followed, other than for:



## ANNEXE A

- those assets that are categorised as “investment” properties (e.g. industrial units), which must be revalued every year, or
- where, following significant capital investment or disinvestment in an asset within an asset group, whereby the whole asset group will be revalued.

All capital asset revaluations for the Annual Financial Report will be obtained by the Deputy Responsible Financial Officer.

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# Draft

**Huntingdonshire District Council**

## **CODE OF PROCUREMENT**

**2015**  
(1<sup>st</sup> April)

# CODE OF PROCUREMENT

## 1. INTRODUCTION

1.1 The Code of Procurement defines the regulatory and legal framework for procurement. It has been adopted in accordance with the requirements of Section 135 (2) of the Local Government Act 1972.

1.2 Throughout the Code, reference to Manager shall mean Managing Director, Corporate Director, Head of Service or Budget Manager as appropriate. A Manager shall be responsible for procuring all goods and services that require the quotation or tender procedures as set out in this Code to be followed.

1.3 No Manager shall procure any goods or services valued at **£5,000** or more unless they have attended training provided by the Procurement Manager and consider themselves to have such detailed knowledge and understanding of this Code and how it shall be applied in respect of the total value of the procurement being considered.

1.4 This Code applies to the procurement, commissioning, hire, rental or lease of -

- t land and buildings, roads or other infrastructure;
- t vehicles or plant;
- t equipment, furniture and fittings;
- t construction and engineering works;
- t information and communication technology - hardware and software;
- t goods, materials and services;
- t repairs and maintenance;
- t consultants, agents and professional services.

1.5 This Code does not apply to purchases made from internal management units.

1.6 The Code applies also to the sale of assets and goods by the Council where the appropriate Manager estimates that the assets, goods or services to be sold exceed £1,000. Where the value is estimated to be less than £1,000 then the 'Sale of Equipment' procedures contained within the Inventory procedures shall be followed.

1.7 The Council includes the Cabinet, Panels, Committees or other body or person(s) acting in accordance with delegated authority on behalf of the Council.

1.8 All procurements or sales made by or on behalf of the Council shall comply with this Code, subject to any overriding requirements of the Council's Rules of Procedure and Code of Financial Management and British or European Union law or regulation.

1.9 Throughout the Code, reference to contractor(s) or sub-contractor(s) shall mean any person, company or supplier who has -

- t requested to be on an approved or ad-hoc approved list of tenderers;
- t been approached to provide a quotation or tender;
- t provided a quotation or tender; or
- t been awarded a contract in accordance with the provisions of this Code.

1.10 The **Corporate Director (Services)** shall annually review all the financial values contained in the Code to take account of the impact of inflation. The **Corporate Director (Services)** shall inform all Managers of any amendments to the values prior to the 1st April from which they shall be operative.

## 2. REPORTING AND ADVERTISING

2.1 Heads of Service shall provide the following information to the Procurement Manager

- t No later than the 1 April each year, details of each contract expected to be advertised in the following year; and an estimate of the total value for each discrete procurement area where the spend is likely to exceed **£100,000**.
- t new or additional requirements likely to meet or exceed EU thresholds as they arise.

2.2 The Public Procurement Regulations 2015 (Statutory Instrument no. 102 2015) requires that contracts above EU threshold are advised in the Official Journal of the European Union **and that any contract opportunity publically advertised elsewhere or above £25,000 is advertised in the Cabinet Office's portal "Contracts Finder"**.

Media	Threshold	
	Supplies and Services	Works
Contracts Finder	£ 25,000	£ 25,000
Official Journal of the European Union (OJEU)	£ 172,514	£ 4,322,012

2.3 For requirements estimated to below £25,000 Managers:

- t should advertise where needed to stimulate competition and obtain best value.
- t must advertise when insufficient potential contractors are unknown to have the capability, experience and resources relevant to the requirement.

2.4 There is no requirement to advertise competitions run using frameworks or approved lists.

## 3. 'BEST VALUE' AND SOURCING POLICY

3.1 The Council seeks 'Best Value' in all procurement activity. 'Best Value' being:

- t The opportunity to obtain leverage (better prices and) for volume.
- t Regulatory compliance.
- t Transparent and efficient procurement processes.

- t Appropriate social, environmental and equality outcomes.
- t Minimum procurement overhead.

3.2 Achieving 'Best Value' needs valid competition and valid competition is dependent on the existence of an 'open' market with the selected contractors having the interest, capability and capacity for the work or business being offered. Wherever possible a minimum of three competitive tenders or quotations shall be sought. In selecting contractors to provide a tender or quotation Managers shall ensure that wherever possible -

- t the selection process they are using is fair and equitable, and that no favouritism is shown to any one contractor (e.g. the requirement is not an extract of a contractor's product specification).
- t checks are made to ensure that contractors are interested in this type of business;
- t repeat or 'automatic' invitations to the 'same' contractor or group of contractors are avoided, particularly where previously invited to bid and had failed to do so;
- t 'new' contractors are sought and invited to tender or quote;
- t the geographic area of the search for potential contractors is widened; and
- t 'no-bids' are checked for the reasons for a contractor's failure to bid.

3.3 Sourcing policy is determined by the needs of 'Best Value' and in order of preference is:

(a) Adopted catalogues or framework contracts. An adopted catalogue or framework is the preferred contract for the Council's business within a defined category (a type or group of goods or service). The Procurement Manager shall make available adopted catalogues or framework contracts on the e-marketplace or publish details of the contract or framework in Procurement Protocols & Guidelines. Managers shall ensure that orders for such categories are placed through the e-marketplace using appropriate 'adopted' catalogue or framework contract. The Procurement Manager shall keep under review the continued suitability of any such catalogues, contracts or framework agreements.

(b) Collaborative procurements with other public bodies or authorities.

(c) Council let corporate contracts.

3.4 Some categories are managed corporately by specialist areas. The Procurement Manager shall provide a list of specialist categories and Managers shall ensure all requirements for such categories are referred to the relevant specialist.

### **Market Sounding**

3.5 Market engagement is encouraged to help achieve Best Value though trying to understand the market, the suppliers, their business models and their costs

3.6 Supplier Meetings/Briefings. To avoid the risk of unfair competitive advantage, any such meeting should be structured as an open event; all questions and answers recorded and with a minimum of 2 officers present. If pre-competition a minimum of 3 suppliers shall be invited and during a competition, all participating contractors shall be invited.

#### **4. METHODS OF ORDERING**

4.1 All orders shall be placed through one of the following recognised methods:

- t An order raised on the e-marketplace.
- t A procurement card order.
- t A manual purchase order.
- t A purchase order raised on the financial management system.

4.2 Where there is an exception requirement and the relevant Corporate Director or Head of Service considers that the work is of an emergency nature necessary to enable the service to continue and none of the ordering methods are suitable, the relevant Corporate Director or Head of Service shall record the details of the exceptional requirement and the action taken for future audit.

#### **5. CONTRACTS REGISTER**

5.1 [In compliance with the Local Government Transparency Code 2013, Managers](#) shall keep a record using the Contracts Register, for all tenders and quotes greater than £5,000 ([and subsequent contract extensions](#)); of:

- t the reasons (if appropriate) for not advertising on the Council's 'Latest Opportunities' internet site;
- t all those contractors that were requested to quote or tender;
- t the reasons why those particular contractors were selected to quote or tender;
- t if applicable, the reasons why less than three contractors were selected to quote or tender;
- t [if the selected contractor is a Small or Medium Enterprise, voluntary or third sector organisation or charity](#);
- t [if the selected contractor is VAT registered](#);
- t contract renewal date (if appropriate);
- t summary details of a single tender/quote (if appropriate), and
- t file or other reference to the contract and location of the documents and contract.

5.2 Any procurement estimated to exceed [£75,000](#), which is not covered by the exceptions in paragraph [6](#) below, must be referred to the Procurement Manager before the procurement process is commenced. If a Manager does not wish to accept the Procurement Manager's advice on any significant aspect the matter will be determined by the relevant Corporate Director. The discussion will cover:

- t Scope and objectives of the procurement;
- t Budget and costing;
- t Tender methods;
- t Product and market information;
- t Timescales; and
- t Deliverables.

5.3 Where there is no adopted contract or framework, Managers shall, wherever practicable, seek to maximise contract values with other Managers to secure lower costs. The Council nevertheless wishes to balance the effort of going to the market with the effort and efficiency of the procurement process. Managers after determining the proposed contract's total value shall then follow one of the procurement procedures detailed below. These procedures shall be used in all procurements or sales bar those exceptions at paragraph 6.

	<b>Procedure</b>	<b>Estimated Total Value of Procurement</b>	<b>Requirement</b>
(a)	Estimate	Up to £5,000	At least 1 written estimate or offer (e-marketplace, email, web or paper) shall be sought and recorded.
(b)	Informal Quote	£5,000 up to £25,000	At least 3 written estimates or offer (e-marketplace, email or headed paperwork) shall be sought.
(c)	Formal Quote	£25,000 to £75,000	At least 3 formal quotations or offers shall be invited, unless the Manager has complied in full with paragraph 6 of this Code. The Manager will consider whether the nature of the procurement is such that a full competitive tendering would be likely to be beneficial to the Council by reducing cost (by more than the cost of tendering) or risk.
(d)	Tender	£75,000 to EU Procurement Threshold	Competitive tenders shall be obtained using one of the tendering options in this Code, and a formal written contract prepared in accordance with paragraph 13.2.
(e)	EU tender	The EU Threshold and above	The appropriate EU procurement directive shall be complied with.

5.4 Total value is the cost of all elements of the procurement (e.g. installation, testing, training, maintenance, etc). The Manager shall ensure that a procurement is not split or otherwise disaggregated and may choose to competitively tender requirements less than £75,000.

5.5 A Manager shall not invite quotations or tenders from any contractor or sub-contractor who has participated in the preparation of documentation or were involved in other preparatory work for the contract, unless they have, in writing, explained to the Monitoring Officer why this does not constitute an unfair competitive advantage or a conflict of interest and obtained agreement, in writing, that the contractor/sub-contractor may compete in the quote/tender process.



## 6. TENDER AND FORMAL QUOTATION PROCEDURES

6.1 **Exceptions.** Nothing in this Code shall require tenders/quotes to be sought: -

(a) for purchases made from a Public Purchasing Body (ESPO, PRO5, Crown Commercial Service) where:

- t there is a single supplier 'call-off contract' or catalogue created with fixed prices, or
- t the contract is created to our requirements;

(b) for purchases through local authority, government body or agency, police, health or other similar public authority, where the procurement rules of that organisation have been approved by the Procurement Manager and the contract is created in co-operation, agreed joint requirements or partnership;

(c) for purchases made at public auction.

6.2 Provided that a compliant procurement process is underway a contract may be extended to complete procurement and contract negotiations by up to 3 months subject to agreement of the Procurement Manager.

6.3 **Single Tenders/Quotes.** All single tenders/quotes shall be reported to and recorded by the Procurement Manager in a register kept for that purpose.

6.4 **Head of Service Approval.** A Head of Service can approve a single tender/quote:

(a) if the Head of Service considers that the work is of an emergency nature or is necessary to enable the service to continue and is reported to the next meeting of Cabinet.

(b) for ongoing maintenance of propriety systems provided:

- t there is evidence that it is a propriety system;
- t the initial contract award was compliant with this Code;
- t the renewal is for a period not greater than 4 years (this is the time interval the EU uses to calculate contract value for ongoing contracts);
- t the total ongoing value does not exceed the EU threshold.

(c) where a single expression of interest is received for a competition run in accordance with the quote procedures (paragraphs 5.3 (a) & (b)) provided that:

- t a clear description of the requirement has been advertised (paragraph 2.2) for an adequate period;
- t the sole prospective supplier is kept unaware of their status;
- t the process for seeking the quote is compliant.

(d) where a new extension is proposed to a contract awarded under quote procedures (paragraphs 5.3 (a) & (b)) provided:

- t the value of the proposed and all previous extensions to the contract are not greater than 10% of the advertised requirement;
- t the extension does not materially change the nature of the contract;

- t the initial contract award was compliant with this Code.
- t the extension is recorded in the Contracts Register.

**6.5 Monitoring Officer Approval.** A Head of Service after consulting the Monitoring Officer may obtain a single tender or quotation when:

- (a) Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available.
- (b) Work to be executed or goods, services or materials to be supplied consist of repairs to or the supply of parts of existing proprietary machinery, equipment, hardware or plant and the repairs or the supply of parts cannot be carried out practicably by alternative contractors.
- (c) Specialist consultants, agents or professional advisers are required and
  - t here is no satisfactory alternative; or
  - t evidence indicates that there is likely to be no genuine competition; or
  - t it is in the Council's best interest to engage a particular consultant, agent or adviser.
- (d) Products are sold at a fixed price, and market conditions make genuine competition impossible.
- (e) The proposed contract shall form part of a serial programme. The contract terms shall be negotiated with a contractor, using as a basis for negotiation the rates and prices contained in an initial contract that was awarded following a competitive tendering process that complied with this Code. No more than two serial contracts shall be negotiated from an initial contract.
- (d) No satisfactory alternative is available. If the single quote/tender option is used, the Manager shall:
  - t seek approval of the Monitoring Officer;
  - t retain records that demonstrate that the best price or value for money has been obtained from the negotiations with the contractor.
- (e) With the Monitoring Officer's agreement, considers that it is in the Council's best interest in negotiating a further contract for works, supplies or services of a similar nature with a contractor who is currently undertaking such work and is reported to the next meeting of cabinet

## **7. LIST OF APPROVED TENDERERS**

7.1 Tenders shall be invited from at least three contractors selected from an approved list established in accordance with this paragraph of the Code. Vetting is not normally required as the contractor was vetted to join the list.

7.2 The Council uses 2 types of list of approved contractors:

- (a) Third party vetted lists of contractors that are compiled and maintained by an external organisation. Only external organisations approved by the Procurement Manager, after consultation with other relevant Manager(s) shall be adopted. The Procurement Manager shall ensure that the external organisation and approved list of contractors is detailed in Procurement Protocols & Guidelines.
- (b) Ad-hoc list of approved tenderers. If a Manager believes that the approved list of tenders does not allow him to obtain sufficient competition for 'Best Value', the

Manager shall write to the Procurement Manager seeking approval to source additional contractors or create an ad-hoc list of approved tenderers.

7.3 Subject to approval as required in paragraph 7.2(b) the Manager shall:

- t issue a public notice inviting applications for inclusion on a specific approved list for the supply of goods, services or materials.
- t vet (as detailed at paragraph 9.1) all contractors replying to the public notice or who have requested within the previous 12 months to be considered for work of a similar nature;
- t only include contractors satisfactorily completing the checks;
- t tell all potential suppliers how the approved list operates
- t ensure the ad-hoc list shall only be used for seeking tenders for the supply of goods, services or materials specifically detailed within the original public notice;

7.4 The Procurement Manager in conjunction with the relevant Managers shall review the continued suitability of any List of Approved Tenderers periodically and at least prior to the third anniversary of its initial or further adoption.

## **8. FRAMEWORKS**

8.1 All contractors on the framework (or lot if split into lots) shall be invited to submit a tender or quotation unless:

- t the framework explicitly permits direct award;
- t the proposed award is less than the tender threshold (£75,000); and
- t the Head of Service can show both objective reasons for the selection of a supplier and evidence of best value.

8.2 No public notice is required and general Terms & Conditions are set in the original framework contract but additional Terms & Conditions specific to the requirement may be permitted. Vetting is not normally required as the contractor was vetted as part of the original framework competition.

## **9. COMPETITION**

### **9.1 Shortlisting and Restricted Tenders**

(a) Restricted (shortlisting) tenders are not permitted for competitions below the EU threshold.

(b) Where allowed, the Manager shall undertake sufficient vetting to ensure that all contractors:

- t comply with minimum standards of Insurance;
- t have the necessary Health & Safety policy and performance and (where applicable) membership of the Contractor's Health and Safety Scheme or equivalent health and safety standard;
- t are financial viable based on a risk based assessment;
- t have an appropriate environmental policy;
- t comply with equalities legislation and policy; and
- t possess the experience and capacity required.

(c) The Procurement Manager shall provide an appropriate questionnaire for the purpose of vetting contractors.

(d) Managers wishing to have a Pre-Qualification Questionnaire returned in electronic format (eg: Excel) must tell bidding suppliers to use the designated email address "procsupport@huntingdonshire.gov.uk" and inform the Procurement Manager of the closing date. The Procurement Manager shall forward the Pre-Qualification Questionnaires to the Manager after the closing date.

### **9.1 Open Tenders/Quotes**

(a) Provided the Manager complies with paragraph 2.2 and is satisfied that Expressions of Interest received represent contractors with genuine interest and capacity, then no further public notice is required. Otherwise public notice may be given in one or more newspapers and/or in an appropriate trade journal. The notice shall state the nature and purpose of the contract, where further information and documentation can be obtained, and state the closing date for the process.

(b) An Invitation to Tender (ITT) or Request to Quote (RFQ) shall be sent to all contractors expressing an interest. ITTs and RFQs may include an appropriate suitability questionnaire. The Procurement Manager shall provide a suitable questionnaire.

### **9.3 Invitations to Tenders (ITT) and Requests for Quotations (RFQ)**

Managers shall ensure that all ITTs and RFQs include;

(a) approved contract terms in accordance with paragraph 13.2 of this Code;

(b) a clear statement that explains if the bid is to be evaluated on the basis of the most economically advantageous tender (best value).

### **9.4 Evaluation Criteria**

Except where the Cabinet decides otherwise, all formal quotations or tenders that are being sought shall:

(a) be based on a definite written specification, which shall include consideration (where relevant to the requirement) of:

- t environmental performance including low energy and water consumption and the elimination of substances hazardous to health and the environment.
- t delivery of social benefit (for services only)
- t inclusion of Small & Medium sized Enterprises

(b) include award criteria,

(c) include specific weightings applied to individual award criteria, and

(d) if appropriate, include a requirement for a performance bond and liquidated damages

## **9.5 Non-Traditional Procurement**

If a Manager believes that by following one of the procurement procedures detailed in paragraph 9 above that the procurement process will not provide him with the most appropriate method of delivery, the most competitive prices, allow for continuous improvements in delivery, or stifle innovation, then they may suggest alternative procurement strategies.

The Manager shall produce in accordance with guidance issued by the Procurement Manager and prior to proceeding with the procurement, a written acquisition strategy that shall be approved by the Monitoring Officer and the Cabinet.

## **10. SUB-CONTRACTS AND NOMINATED SUPPLIERS**

10.1 Quotations or tenders for sub-contracts to be performed or for goods, services or materials to be supplied by nominated sub-contractors shall be invited in accordance with this Code.

10.2 The relevant Manager is authorised to nominate to a main contractor a sub-contractor whose quotation or tender has been obtained in full accordance with this Code.

## **11. RECEIPT AND OPENING OF TENDERS AND QUOTATIONS**

11.1 Contractors shall be notified that tenders or formal quotations are invited in accordance with this Code no tender or quotation will be considered unless -

(a) the tender or quotation has been received via the e-marketplace 'sealed quote' facility; or

(b) contained in a plain envelope which shall be securely sealed and shall bear the word "Tender" or "Quotation", the Unique Reference Number (URN) from the Contracts Register; and the envelope shall not bear any distinguishing matter or mark intended to indicate the identity of the sender. Such envelope shall be addressed

t impersonally to the Legal Services Officer if it contains a "Tender", or

t the appropriate Manager if it contains a "Quotation"; or

(c) it has been sent electronically to a specific e-mail address, which the appropriate Manager shall obtain from the IMD Service Manager. The IMD Service Manager shall ensure that the e-mail address is secure.

11.2 All envelopes or e-mails received shall be kept securely and shall not be opened or accessed until the time appointed for their opening except at the request of the Monitoring Officer or officers specifically appointed by him.

11.3 All tenders or quotations invited in accordance with this Code shall be opened at one time only and by at least two officers -

t Tenders shall be opened by officers nominated by the Legal Services Officer and by the appropriate Head of Service/Service Manager. The Procurement Manager shall be notified of the time and place appointed for the opening.

t Quotations shall be opened by the appropriate Manager and/or his nominee(s) and one other Officer. The Internal Audit Manager shall be notified of the time and place appointed for the opening.

11.4 All tenders or quotations upon opening shall be recorded in writing on either a tender or quotation opening record unless the Contracts Register is being completed contemporaneously. The format of the opening record shall have been previously agreed with the Monitoring Officer and Legal Services Officer. The Form of Tender or Quotation and any accompanying documentation shall be marked with the date of opening, and signed by all officers present at the opening. The tender or quotation opening record shall be signed by at least two officers present at the opening and record the method that has been selected to evaluate the bids received. If the Contracts Register has been completed, then all of the required fields will be completed as per the guidance issued by the Procurement Manager.

11.5 The original opening record shall be retained by the Legal Services Officer in respect of tenders, and the relevant Manager in respect of quotations. A copy of the opening record shall be provided to the Internal Audit Manager.

11.6 Any tenders or quotations received after the specified time [may in exceptional circumstances be accepted by Legal Services Officer](#) otherwise they shall be returned promptly to the contractor by the Legal Services Officer or his nominated officer in respect of tenders, or by the appropriate Manager or his nominated officer in respect of a quotation.

11.7 Late tenders shall be rejected once any other tender/quotation has been opened. The tender or quotation may be opened to ascertain the name of the contractor but no details of the tender or quotation shall be disclosed.

## **12. ACCEPTANCE OF TENDERS AND QUOTATIONS**

12.1 The appropriate Manager shall evaluate all the tenders or quotations received in accordance with the award criteria set out in the bid documentation and shall accept, subject to the provisos set out in this paragraph, the most economically advantageous tender or quotation, as evaluated against the award criteria.

12.2 Tenders or quotations exceeding the approved estimate may only be accepted once approval to further expenditure is obtained.

12.2 The most economically advantageous quotation exceeds **£75,000** but -

- t is within 15% of the original estimate and budget, the appropriate Head of Service may accept the quotation without seeking further competition; or
- t is in excess of 15% of the original estimate then the Head of Service shall consult the Procurement Manager and obtain the approval of the Monitoring Officer that the quotation can be accepted otherwise a competitive tender exercise in accordance with paragraph 9.1 above shall be carried out.

12.4 A tender or quotation shall not be accepted -

(a) where payment is to be made by the Council and it is not the most economically advantageous tender or quotation in accordance with the award criteria set out in the tender or quotation documentation; or

(b) if payment is to be received by the Council and the tender or quotation is not the highest price or value;

(c) unless –

- t the Cabinet have considered a written report from the appropriate Head of Service/Service Manager, or

- t in cases of urgency, the Monitoring Officer has consulted and obtained the approval of the relevant executive councillor. Tenders or quotations accepted in this way shall be reported by the appropriate Manager to the next meeting of the Cabinet.

## **12.6 Arithmetical Errors and Post-Tender Negotiations**

(a) Contractors can alter their tenders or quotations after the date specified for their receipt but before the acceptance of the tender or quotation, where examination of the tender or quotation documents reveals arithmetical errors or discrepancies which affect the tender or quotation figure. The contractor shall be given details of all such errors or discrepancies and afforded an opportunity of confirming, amending or withdrawing his offer.

(b) Post-tender negotiations shall not be used to degrade the original specification unless:

- t the capital or revenue budget is exceeded; or
- t other special circumstances exist;

in which case the Monitoring Officer and Procurement Manager shall decide which of those contractors who originally submitted a tender or quotation shall be given the opportunity to submit a further bid based upon a degraded specification. This decision shall be recorded in writing.

(c) In evaluating tenders, the appropriate Manager may invite one or more contractors who have submitted a tender to submit a revised offer following post-tender negotiations.

(d) All post-tender negotiations shall:

- t only be undertaken where permitted by law and where the appropriate Manager and Monitoring Officer and Legal Services Officer consider additional financial or other benefits may be obtained which over the period of the contract shall exceed the cost of the post-tender negotiation process;
- t be conducted by a team of officers approved in writing by the Monitoring Officer and Legal Services Officer;
- t be conducted in accordance with guidance issued by the Legal Services Officer; and
- t not disclose commercially sensitive information supplied by other bidders for the contract.

(e) The appropriate Manager shall ensure that all post-tender negotiation meetings are properly minuted with all savings and benefits offered clearly costed. Following negotiations but before the letting of the contract, amendments to the original tender submitted shall be put in writing by the contractor(s) and shall be signed by him.

## **13. TERMS OF BUSINESS AND THE FORM OF CONTRACTS**

13.1 All orders placed by the Council shall be on the Council's Terms and Conditions (T&Cs). Managers shall not use Contractor's documentation to order, acknowledge, instruct to proceed or make any other commitment where the documentation makes any reference to the Contractor's T&Cs. Where a contractor formally insists on trading on T&Cs other than the Council's T&Cs, the Procurement Manager shall be informed, except for -

- t Any contract where the estimated total value is likely to exceed **£75,000**, paragraph 13.2 shall apply.
- t Any framework or contract formally adopted by the Council.
- t Purchasing Agency (e.g. ESPO, Crown Commercial Service) arranged contracts and orders.
- t Orders of a total value of less than £ 15,000 where the goods or service are purchased on a 'retail' basis on terms available to the general public.
- t Orders for software where the licence is for 'standard' product but not where customisation, development or on-site service is required for the 'standard' product.

13.2 Every contract that exceeds **£75,000** in value shall be in writing in a form approved by the Legal Services Officer who shall also determine the format of any contract for a lesser value. Managers shall ensure that advice of the Legal Services Officer is sought at a stage as early as practicable (normally before the issue of an Invitation to Tender).

13.3 In the case of any contract for the execution of works or for the supply of goods, services or materials, the Manager after consulting with the Procurement Manager and the Monitoring Officer shall consider whether the Council should require security for its due performance and shall either certify that no such security is necessary or shall specify in the specification of tender the nature and amount of the security to be given. In the latter event, the Council shall require and take a bond or other sufficient security for the due performance of the contract.

13.4 Managers shall produce the final version of all contracts in 2 copies. Where the total value of a contract exceeds **£75,000** both copies shall be presented to the **Head of Resources** for signature. Once signed by the contractor, the signed contract, all original documents, including specifications, drawings, tender documents and correspondence relating to shall be forwarded by the Legal Services Officer. Where the total value of the contract is less than **£75,000** the relevant Manager shall make arrangements for the retention of all the original documentation.

13.5 Managers shall maintain a record (in the form detailed in the Procurement Protocols & Guidance) for their area of each contract or agreement (both written and verbal agreements).

13.6 Managers shall include the specific T&Cs listed in the Procurement Protocols & Guidance in all contracts. Where a Manager considers a term or condition inappropriate they shall seek advice of the Legal Services Officer on the modification or deletion of the term or condition.

#### **14. LETTERS OF INTENT**

14.1 Letters of intent provide a contractor with the authority to proceed prior to the award of a contract. However, letters of intent have two main disadvantages:-

- (a) if the contract is not awarded the contractor is entitled to payment regardless as to whether the work was actually needed;
- (b) the Council's negotiating position is weakened as the contractor may believe actual award of contract is a formality and therefore, the contractor may refuse to accept conditions that are seen as disadvantageous.

14.2 Managers shall ensure that:-

- (a) all letters of intent are in a form approved by the Legal Services Officer; and



(b) all letters of intent are signed by the appropriate Budget Manger with sufficient authority for either the value of the intended contract or the estimated value of any 'extension' period defined in the letter of intent if below £75,000, otherwise by the [Head of Resources](#).

## **15. POST-COMPETITION DEBRIEFS**

15.1 For all contracts greater than £25,000, Managers shall maintain records of selection and evaluation scoring and where requested by participating suppliers, provide a suitable post-tender debrief in writing. For contracts greater than £75,000, unsuccessful tenderers shall be advised in writing of the winning supplier, the value of the contract awarded and the strengths and weaknesses of their tender and the advice of the Procurement Manager shall be sought on the format and scope of the debrief.

## **16. Publishing Contract Awards**

16.1 Contract Award Notices shall be published within 90 days of contract award in the appropriate online system:

- t [Contracts Finder](#) if greater than £25,000 (including awards under mini-competition using a framework) or if advertised in [Contracts Finder](#), and
- t the [Official Journal of the European Union](#) if greater than the promulgated EU threshold.

## **17. LOCAL GOVERNMENT ACT – COMMUNITY RIGHT TO CHALLENGE**

The Local Government act permits relevant bodies (charities, community bodies, town & parish councils and staff) to submit Expressions of Interest to provide Council services. The Procurement Manager shall maintain and publish a timetable for the submission of Expressions of Interest. All Expressions of Interest received from relevant bodies should be forwarded to the Information and Research Officer.

## **18. RETENTION OF DOCUMENTS**

18.1 Managers shall ensure that every contract or quotation is assigned the Unique Reference Number (URN) from the Contract Register, which is to be used in all correspondence. Any Division or reference may be included in addition to the URN shall comprise abbreviation for the Division and year. Formal amendments to a contract or order should also be given unique numbers showing the order in Which the amendments were made.

18.2 Documentation retention periods are dictated by the Statute of Limitations and (where applicable) EU requirements. The following rules apply:-

- (a) retention for 12 years from the date of completion of the contract for contracts made under deed;
- (b) retention for 6 years from the date of completion of the contract:-
  - t Contract Documents
  - t Hire/Rental Agreements
  - t Successful Tenders
  - t Summary of Tender Opening
  - t Disposal Board papers
  - t All selection and evaluation scoring and reports
  - t Goods Received Notes
  - t HM Customs and Excise Import documentation

- t Invitations to Tender/Quotation Requests
  - t Maintenance/Software licence agreements
  - t Specifications
  - t Successful Quotations
  - t Suppliers' Advice Notes;
- (c) retention for 3 years after the last entry:-
- t Stock and Purchase Record Cards or Registers
- (d) retention for 2 years after the financial year to which the document relates:-
- t Unsuccessful Quotations.
  - t Unsuccessful Tenders.

## **19. FREEDOM OF INFORMATION ACT 2000 (FOIA)**

Managers shall ensure that the handling of requests for procurement information complies with the detailed guidance published as Procurement Protocols & Procedures and the general FOIA guidance published by the Council's Freedom of Information Officer.

## **20. CONSULTANTS**

20.1 It shall be a condition of the engagement of any consultant, agent or professional adviser who is to be responsible to the Council for the management or supervision of a contract on its behalf, that in relation to that contract he shall -

- t comply with this Code as though he were an employee of the Council;
- t at any time during the carrying out of the contract produce to the appropriate Manager, on request, all the records maintained by him in relation to the contract; and
- t on completion of the contract transmit all records that he has produced or received that relate to the contract to the appropriate Manager.
- t that the terms and conditions of their contract indemnifies the Council against any costs arising from the consultant being classified an 'employee' under Inland Revenue rules.

20.2 The Manager responsible for appointing any consultant, agent or professional adviser under paragraph 20.1 shall provide them with a copy of this Code.

## **21. PROCUREMENT TRAINING**

21.1 The Procurement Manger shall create, maintain and arrange the delivery of training for Officers undertaking procurement duties.

21.2 Managers shall ensure that all Officers routinely undertaking purchasing or procurement duties where the gross value of the procurement is £5,000 or more shall have undertaken appropriate training.

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title:** Accounting Policies  
for the Annual Financial Report 2014/15

**Meeting/Date:** Corporate Governance Panel  
25 March 2015

**Executive Portfolio:** Resources: Councillor J A Gray

**Report by:** Accountancy Manager

**Ward(s) affected:** All Wards

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### **Executive Summary:**

Accounting Policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements.

Best practice requires the council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods. Such review and approval should occur prior to the financial year-end, thus allowing officers to produce the statement of accounts based on the approved accounting policies.

As noted in paragraph 3.1, there are only two minor and two significant changes in accounting policies; none of which will have an impact on the Councils general fund balance.

### **Recommendation(s):**

It is recommended that the Panel approves the amendments to the accounting policies noted within Annex A.

## 1. PURPOSE

- 1.1 Each year the council is required to produce a statement of account, the Annual Financial Report, which has to be approved by the Council's Responsible Financial Officer by the 30<sup>th</sup> June and then approved by members and published by the 30<sup>th</sup> September. The accounts are required to be produced based on regulations prescribed by statute and relevant accounting standards.

## 2. BACKGROUND

- 2.1 Accounting policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements.
- 2.2 Except where specified in the "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15" or in specific legislative requirements, it is for an authority to select the accounting policies that are most appropriate to its particular circumstances.
- 2.3 Best practice requires the council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods. Such review and approval should occur prior to the financial year-end, thus allowing officers to produce the Annual Financial Report based on the approved accounting policies.
- 2.4 Consequently, the Panel are asked to approve the accounting policies for 2014/15; taking the 2013/14 accounting policies as the base.

## 3. ACCOUNTING POLICIES FOR 2014/15

- 3.1 Of the 27 accounting policies that were approved for 2013/14 (please refer to the final copy of the Annual Financial Report approved by the Panel last September), Table 1 below shows that for 2014/15 three policies require amendment with two of these being considered significant.

Reason for change in the accounting policy	Number of Accounting Policies categorised under the reason for change	Accounting Policy Affected
No change	25	n/a
Minor update for formatting or a change that does not have a significant impact e.g. change in references to financial year	2	<ul style="list-style-type: none"><li>• General Principles</li><li>• Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors</li></ul>
Significant change in accounting policy e.g. change in amounts (£)	0	
New accounting policy	1	<ul style="list-style-type: none"><li>• Disclosure of Interests in Other Entities</li></ul>

- 3.2 It is envisaged that the changes to the accounting policies that are proposed will not have any direct financial implications; the changes are for clarification, transparency and to ensure compliance with IFRS accounting arrangements. However, the new accounting policy is in respect of “Disclosure of Interests in Other Entities” (IFRS 12) following the creation of the CCTV shared service with Cambridge City Council. The disclosure requirement will be to detail the nature and extent of the relationship.

It is anticipated at this time that the implementation of IFRS 12 Disclosure of Interests in Other Entities would not require a prior year restatement.

- 3.3 If during the closure process it transpires that further changes to the accounting policies are required; where the change:
- Does result in a movement in the council’s “cash reserves” or balances, then this will be brought to the attention of the Responsible Financial Officer, Portfolio Holder for Resources and the Chair of this Panel at the earliest opportunity and then presented to members when the accounts are presented for approval in September 2015.
  - Does not result in a movement in the council’s “cash” reserves or balances, this will be reported to the Responsible Financial Officer and then to members when the accounts are presented for approval in September 2015.

#### **4. LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising from this report.

#### **5. RESOURCE IMPLICATIONS**

- 5.1 There are no direct financial implications arising from this report.

#### **LIST OF APPENDICES INCLUDED**

Annex A – Changes to accounting policies

#### **BACKGROUND PAPERS**

Working papers in Financial Services.

#### **CONTACT OFFICER**

Clive Mason, Head of Resources  
( 01480 388157

Rebecca Maxwell, Accountancy Manager  
( 01480 388117

<b>Accounting Policies Used within 2013/14 Annual Financial Report</b>  <i>Based on the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14</i>	<b>Proposed Accounting Policies for 2014/15 Annual Financial Report</b>  <i>Code of Practice on Local Authority Accounting in the United Kingdom 2014/15</i>	<b>Reasons for change in accounting policy (see key at the end of annex)</b>
<p><b>General Principles</b></p> <p>The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).</p> <p>The underlying concepts of the accounts include the:</p> <ul style="list-style-type: none"> <li>• Council being a 'going concern' – all operations continuing</li> <li>• Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place</li> <li>• Primacy of legislative requirements – legislation overrides standard accounting practice</li> </ul> <p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.</p> <p>The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets</p>	<p><b>General Principles</b></p> <p>The Statement of Accounts summarises the Council's transactions for the <b>2014/15</b> financial year and its position at the year-end of 31 March <b>2015</b>. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom <b>2014/15</b> and the Service Reporting Code of Practice <b>2014/15</b>, supported by International Financial Reporting Standards (IFRS).</p> <p>The underlying concepts of the accounts include the:</p> <ul style="list-style-type: none"> <li>• Council being a 'going concern' – all operations continuing</li> <li>• Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place</li> <li>• Primacy of legislative requirements – legislation overrides standard accounting practice</li> </ul> <p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.</p> <p>The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets</p>	<p><b>B</b></p>

<p>and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	<p>and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	
<p><b>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</b></p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2013/14, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p> <p>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</p>	<p><b>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</b></p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For <b>2014/15</b>, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p> <p>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</p>	<p><b>B</b></p>

<p><b>No IFRS 12 accounting policy used in 2013/14</b></p>	<p><b>Disclosure of Interests in Other Entities (IFRS 12)</b></p> <p>This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.</p> <p>The Council has a number of arrangements with other entities.</p>	<p><b>D</b></p>
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**Clarifications for Reasons for Changes to/New Accounting Policies**

- Key:**
- A:** No change.
  - B:** Minor update for dates, formatting or changes in accounting policy that do not have a significant impact on financial reporting.
  - C:** Significant change in accounting policy.
  - D:** New accounting policy.



**Public  
Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title:** Internal Audit Service: Internal Annual Plan

**Meeting/Date:** Corporate Governance Panel – 25 March 2015

**Executive Portfolio:** Resources: Councillor J A Gray

**Report by:** Internal Audit & Risk Manager

**Ward(s) affected:** All Wards

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### **Executive Summary**

As required by the Public Sector Internal Audit Standards, the Internal Audit & Risk Manager (IARM) has to prepare an annual audit plan for Panel review and approval. The plan has to provide adequate coverage and scope across the Council's risk management, control and governance processes so that the IARM can prepare their annual opinion on the overall adequacy and effectiveness of these arrangements.

The plan for the period April 2015 to March 2016 is attached.

Internal audit resources are currently insufficient to deliver the annual audit plan that is being presented. This is due to the Internal Audit Service carrying one vacant post since October 2014. Efforts have been made to recruit to this post via the normal recruitment process and the use of agency staff but have been unsuccessful.

The internal audit plan for 2015/16 as presented is based on delivering 352 days. Current resources only allow for 250 days to be delivered. A shortfall of 102 days.

It is anticipated that the vacant post will be filled during the year. Taking account of the recruitment problems faced, for planning purposes it has been estimated that the post will only be filled for half of the year and so deliver 102 days this year rather than the 204 days that would be available in a full year. This is a cautious approach.

For the first time the audit plan does not indicate the number of days that are to be spent on each area. This change allows the Panel to focus upon the assurance that it is being provided by internal audit work.

Taking into account the shortfall of audit days, it is still anticipated that delivery of the audit plan as presented is sufficient to allow the IARM to prepare an annual opinion on the Council's control environment.

Changes that occur to the audit plan will be discussed with the Head of Resources and the Chairman of the Panel. Significant changes will be reported to the Panel.

**Recommendation:**

It is recommended that the Panel approve the Internal Audit Plan for 2015/16.

**1. What is this report about/purpose?**

1.1 This report details the internal audit planning process for the year commencing April 2015.

**2. Why is this report necessary/background**

2.1 The Accounts and Audit Regulations 2015 (AAR2015), which become effective from 1 April 2015, require that the Council ‘...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance’.

2.2 This report outlines the key features of the internal audit planning process for the period commencing April 2015.

2.3 The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit Manager to:

- prepare at least annually, a risk-based plan to determine internal audit priorities; and
- provide adequate coverage across the Council’s systems so as to allow them to provide a written opinion on the overall adequacy and effectiveness of the Council’s control environment.

**3. Options considered/analysis**

3.1 The IARM maintains a four year strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council’s internal control environment. The strategic plan shows the relative importance of each risk (as identified by the risk register) and system area. To allow for more effective planning, a number of audit areas have been combined so that audits can address common risk themes across services, rather than be conducted on a service by service basis

3.2 Discussions have been held with all Senior Managers to ensure that the strategic plan is reflective of all issues across the Council and to allow new areas to be identified. Panel Members have also been given the opportunity to contribute to the planning process.

The strategic audit plan (excluding specialist computer audit reviews) lists 161 areas.

The following areas were added to the strategic plan this year:

- Project Management : Introduction of Universal Credit,
- Tree management,
- Effectiveness of the Governance Boards, and
- Corporate fraud team performance.

Three areas were deleted from the strategic plan:

- Home improvement agency (assurance is now provided by Cambridge City Council),
  - Poisonous trees & plants, and
  - Service developed ICT systems.
- 3.3 To prepare the annual audit plan, the strategic plan is reviewed and audits placed in priority order based on risk, materiality and previous audit review findings. An estimate of the days required to undertake each review is then made based upon its proposed scope. The highest priority schemes which can be delivered within the resources available are then included in the plan. The Corporate Management Team (CMT) are then consulted prior to the plans submission to the Panel.
- 3.4 Due to the rapid change that is occurring within the public sector and the need to align the audit plan to significant risks, the achievement of the Corporate Plan objectives and the development of assurance maps, there is an ongoing debate within the internal audit profession about the continued relevance of maintaining an audit universe and a long term strategic audit plan.
- 3.5 The Internal Audit & Risk Manager (IARM) having considered the options available has decided that for 2015/16 the status quo will remain. However it is planned to fully review the audit planning process during the year, to ensure that it fully meets the needs of the Council. Any changes to the audit planning process will be discussed with the Panel during the year. It is anticipated that the audit planning process will form part of the formal training plan to be delivered to the Panel in the new municipal year.

#### **Internal Audit Staffing**

- 3.6 The Panel are aware that with effect from 20 October 2014, an auditor (0.6fte) was seconded to the post of Accountancy Manager. It is likely that this secondment will be for a twelve month period. CMT agreed to the recruitment of a temporary auditor to back-fill the auditor post. The opportunity was also taken, as part of the zero based budget review to review the staffing of the service. This led to the auditor post becoming full time with the cost of the additional hours being found from reducing the 'hired staff' budget. The Internal Audit establishment consists of 2.8fte.
- 3.7 Despite recruitment advertising and seeking an interim auditor via an agency, at the time of writing this report it has not proved possible to recruit to the auditor position. This has not only affected the delivery of the 2104/15 audit plan but also affects the delivery of the 2015/16 plan. A cautious approach to the calculation of the available audit days for 2015/16 has therefore been taken.
- 3.8 The 'hired staff' budget allows for additional audit days to be purchased to supplement the in-house team or for the IARM to acquire specific expertise to supplement the in-house team.

- 3.9 The service budget also allows for technical computer audit provision. This service has been provided since 2006 by an external contractor. The contract with our current provider ended in January 2015. It is important that the Council continues to undertake technical computer audit reviews as the IT network and infrastructure underpins virtually all services that are delivered. A new contract is to be let. It is anticipated that due to the value of the contract it will be required to be let in compliance with EU procurement rules. The tendering process has not yet commenced due the on-going discussions with Cambridge City Council and South Cambridgeshire District Council regarding the IT shared service and the uncertainty regarding the assurance requirements of the partner authorities. It is envisaged that a contract will be in place by September 2015. Panel will be kept informed of developments.
- 3.10 1,906 days (excluding technical computer audit) will be available to deliver the necessary assurances and provision of help and advice across the areas listed in the four year strategic plan commencing April 2015.

<b>4 Year Strategic Plan</b>		<b>Days</b>	Internal Audit	'Hired staff'
<b>Internal Audit Service resources</b>		<b>2,916</b>		
<b>Less</b>	Leave, sick, elections etc	366		
	Staff development & training	67		
	Management	272		
	Risk Management & Insurance	210		
	Support CGP	40		
	Contingency	55		
<b>Available audit resources</b>		<b>1,906</b>		
Deployed as follows:				
	2015/16	352	352	
	2016/17	518	468	50
	2017/18	518	468	50
	2018/19	518	468	50
<b>Total resources required</b>		<b>1,906</b>	<b>1,756</b>	<b>150</b>

- 3.11 The total estimated days required to deliver the 4 year strategic plan is 1,985. This is 79 days higher than the estimate of the total resources required as shown in the table above. If an auditor had been recruited as envisaged, then there would be sufficient resources available to deliver the plan. Indeed there may be the possibility to further reduce the 'hired staff' audit days required across the strategic plan period.

#### **Internal Audit Plan**

- 3.12 The audit plan needs to be dynamic to reflect changing circumstances (risks, operations, programs, systems and controls)

and it is anticipated that there will remain the need to advance, defer, add or remove audits throughout the year.

- 3.13 The internal audit plan for 2015/16 is attached. It lists all the areas that, without any change in circumstances, require review during the year. Panel are recommended to approve this plan, but allow the IARM to amend it as he considers necessary. The IARM will consult with both the Head of Resources and Chairman of the Panel on any amendments that are planned. Significant changes to the plan will be reported to the Panel.
- 3.14 The internal audit plan does not contain any reviews that could be classified as a 'consultancy' review within the terms of the Internal Audit Charter. If any 'consultancy' work is undertaken then the Head of Resources and Chairman of the Panel will be informed.

#### **Other Sources of Assurance**

- 3.15 The PSIAS require the audit plan planning process to take into account what other sources of assurance will be available during the year.

Managers have been requested to provide details of any planned reviews from which assurance could be obtained so as to avoid/minimise duplication of effort. With the exception of the statutory external audit of the accounts no external assurances have been identified for 2015/16.

#### **4. Comments of Overview & Scrutiny Panel**

- 4.1 Not applicable

#### **5. Key Impacts/Risks**

- 5.1 The risk register contains two risks relating to internal audit.

The agreed internal audit plan and agreed audit actions are not delivered leading to a shortfall in assurance on the internal control environment and criticism by the external auditors.

The service is not compliant with the Public Sector Internal Audit Standards leading to the inclusion of significant non-compliance issues in the Annual Governance Statement

The controls in place to manage these risks has reduced both the residual risk scores to 'low'.

- 5.2 Having insufficient or inexperienced auditors to deliver the audit plan, both in year and across the strategic plan period is a key risk. Budget resources are sufficient to allow the strategic plan to be met. Staff resources are considered during the quarterly review of the audit plan. If the IARM believes that staff resources are insufficient, then the matter will be reported to the Panel.

- 5.3 All members of the internal audit service are qualified internal auditors. Their training needs are identified and reviewed at monthly 1-2-1 meetings with the IARM. The training budget is considered sufficient to allow the identified training needs to be met and so deliver the agreed plan. In addition, external specialists can be brought in when required to supplement the in-house team.
- 5.4 An external review of the internal audit service was carried out in January 2014 and reported to the Panel in May 2014. There were no issues identified that showed that the internal audit service is not in compliance with the PSIAS. The Panel also receive an annual self-assessment from the IARM and updates on progress against any actions that have been identified.

## **6. What actions will be taken/timetable for implementation**

- 6.1 The audit plan will be delivered from April 2015. Retendering the technical computer audit contract will commence early in the new financial year so as to be in place by September 2015. The recruitment process for a temporary internal auditor continues.

## **7. Link to the Corporate Plan**

- 7.1 The Internal Audit Service through the audit plan contributes to all four of the strategic themes and outcomes. Specifically it supports CMT and Heads of Service by undertaking reviews that provide assurance that:
- laws and regulations are being met,
  - business and financial processes and systems are managed effectively; and
  - assets are safeguarded.

It also improves the performance of the Council by assessing current risks, considering emerging risks, identifying efficiency gains and process improvements.

## **8. Consultation**

- 8.1 The IARM has consulted on audit plan coverage with all members of the CMT and each Head of Service. In addition, all members of the Panel have been given the opportunity to raise any issues that they feel need to be included in the strategic audit plan.

## **9. Legal implications**

- 9.1 The AAR2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

The PSIAS require that a risk based audit plan is prepared annually. The audit plan has been prepared on a risk basis and allows the AAR2015 to be met.

**10. Financial implications**

- 10.1 The service budget is sufficient to deliver both the annual audit plan and the strategic plan. Without compromising the level of service currently provided, the opportunity will be taken during 2015/16 to review the hired staff budget to see if any savings can be taken

**11. Other implications**

- 11.1 Not applicable.

**12. Reasons for the recommended decisions**

- 12.1 The Panel's terms of reference require it to approve internal audit plans.
- 12.2 This report sets out the process by which the 2015/16 audit plan has been prepared, the resources that are currently available and the steps that are being taken to procure computer audit coverage. The audit plan coverage is considered sufficient by the IARM so as to allow the Panel to meet its terms of reference through supporting the Managing Director and the Council in reviewing the comprehensiveness and reliability of its governance structures and the internal control environment.

**List of appendices included**

The 2015/16 Internal Audit Plan.

**ACCESS TO INFORMATION ACT 1985**

Strategic Audit Plan

The Council's Risk Register

**Contact Officer:**

David Harwood, Internal Audit & Risk Manager

Telephone: 01480 388115





**Internal Audit Service**

**Internal Audit  
&  
Assurance Plan  
2015 - 2016**

## **2015 – 2016 Internal Audit & Assurance Plan**

The Internal Audit & Assurance Plan for the period April 2015 to March 2016 has been prepared in accordance with the Public Sector Internal Audit Standards.

The Standards require that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the Annual Statement of Assurance on Corporate Governance.

The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as at 2 March 2015 have been included within the four year strategic audit plan, although not all, when considering the service issues identified or alternative assurance available, are required to be audited. Reviews that have clear links to risks within the risk register will consider the effectiveness of the controls that are in place to manage the risks identified. They will also consider the manager's assurance opinion entered into the risk register.

The detailed audit plan will be prepared on a 3+9 basis – that is a detailed three month frozen plan, supported by a rolling nine month fluid plan. A summary of the audits planned during the year are listed below.


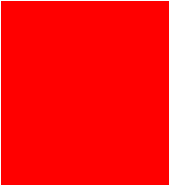



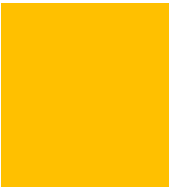




The annual assurance opinion that I provide will be based upon the findings of the reviews carried out.

In addition to undertaking the audits detailed in the plan, Internal Audit will also be involved in providing advice and assistance to managers, advising on new project developments, dealing with any whistleblowing allegations received and attending quotation openings to observe managers compliance with the Code of Procurement. The outcomes from this work will inform the annual assurance opinion.


Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require changes to the proposed plan so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. The Head of Resources and Chairman of the Corporate Governance Panel will be informed of any changes before they are introduced.

**David Harwood**  
**Internal Audit & Risk Manager**  
**12 March 2015**

**2015 – 2016 Internal Audit & Assurance Plan**

Inherent risk	Risk area	Residual risk
	Delivery of the 'Facing the Future' programme Data protection and information management Housing - homeless families Delivery of affordable housing Compliance with the Transparency Code	
	Budgetary control and management information Housing benefits (overpayments) S106 agreements	
	Review of 2 x service & supply contracts Shared services : IT services : Building control : Legal services Data quality and performance indicators	
	Community Chest grants	
	Payroll	
	Achievement of VFM and service standards One Leisure Delivery of corporate and service plans Charging for Council services Legal debt collection & recovery LGSS contract management Effectiveness of the Governance Boards Staff appraisal scheme Bank reconciliation National fraud initiative	
	<b>Continuous audit</b> Council tax & business rates Accounts receivable (debtors) Main accounting system Accounts payable (creditors)	

Risk register categories:

Very high	
High	
Medium	
Low	

## 2015 – 2016 Internal Audit & Assurance Plan

In addition to the assurance that will be provided on the areas listed above, time has also been made available to deal with the following areas:

- providing help and advice to managers;
- follow-up reviews of agreed actions introduced;
- attendance at quotation openings,
- managing whistleblowing allegations;
- reviewing and investigating NFI output;
- quality assessment of work undertaken and file review; and
- supporting the work of the Corporate Governance Panel through the delivery of training, preparation of the annual governance statement, effectiveness reviews and annual reporting.

End

**Public**  
**Key Decision – No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Progress on issues arising from the 2013/14 Annual Governance Statement.

**Meeting/Date:** Corporate Governance Panel – 25 March 2015

**Executive Portfolio:** Resources: Cllr J A Gray

**Report by:** Internal Audit & Risk Manager

**Ward(s) affected:** All

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### **Executive Summary:**

The 2013/14 Annual Governance Statement included four areas for improvement.

Due to the good progress that has been made across all four improvement areas it is considered that all will 'achieved' prior to the preparation of the 2014/15 Annual Governance Statement.

The four areas for improvement identified are:

- Develop the themes and aims of the Corporate Plan through service delivery plans, performance measures and employees performance targets
- Publicise the vision statement and strategic themes and outcomes to key stakeholders;
- Review partnership commitments with an emphasis on the benefit obtained and contribution towards the Corporate Plan;
- Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement.

Appendix A provides details of the action that has been taken against each improvement area.

### **Recommendation**

It is recommended that the Panel note and take into account the progress that has been made in introducing the key improvement areas arising from the 2013/14 Annual Governance Statement when undertaking their 2014/15 governance review.

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## **1. WHAT IS THIS REPORT ABOUT/PURPOSE?**

- 1.1 This report informs the Panel of the progress that has been to date in introducing the four key improvement areas that were contained in the 2013/14 annual governance statement.

## **2. WHY IS THIS REPORT NECESSARY/BACKGROUND**

- 2.1 The Panel need to be assured that sufficient action has been taken to deal with the four areas for improvement identified. The four areas are :

1. Develop the themes and aims of the Corporate Plan through service delivery plans, performance measures and employees performance targets;
2. Publicise the vision statement and strategic themes and outcomes to key stakeholders;
3. Review partnership commitments with an emphasis on the benefit obtained and contribution towards the Corporate Plan; and
4. Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement.

## **3. OPTIONS CONSIDERED/ANALYSIS**

- 3.1 Not applicable.

## **4. COMMENTS OF OVERVIEW & SCRUTINY PANEL**

- 4.1 Not applicable.

## **5. KEY IMPACTS/RISKS?**

- 5.1 If sufficient and timely action is not taken, this may lead to the actions having to be repeated in the 2014/15 annual governance statement and
- adverse comments being reported by the external auditor;
  - poor governance procedures remaining in place which may affect the delivery of the Council's objectives.

## **6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

- 6.1 Action has already been taken to deal with the areas identified.

## **7. LINK TO THE CORPORATE PLAN**

- 7.1 Good corporate governance structures underpin everything that the Council does. Effective delivery of the Corporate Plan requires sound procedures and processes to be in place. These seek to ensure that decision making complies with laws, regulations and proper governance practices.

## **8. LEGAL IMPLICATIONS**

- 8.1 There are no legal implications arising from this report.

**9. RESOURCE IMPLICATIONS**

9.1 There are no financial implications arising from this report.

**10. OTHER IMPLICATIONS**

10.1 None.

**11 REASONS FOR THE RECOMMENDED DECISIONS**

11.1 The Panel require assurance that the significant areas for improvement identified during the 2013/14 annual governance review process are being addressed. Details of the action that has been taken is included in appendix A.

The Corporate Management Team are satisfied that the four issues identified have been addressed. In the case of partnership working, the initial work undertaken has identified further work areas. Plans are in place to progress this.

**12. LIST OF APPENDICES INCLUDED**

Appendix A – Annual Governance Statement 2013/14 – Key improvement areas:  
Current position

**BACKGROUND PAPERS**

Annual Governance Statement 2013/14

**CONTACT OFFICER**

David Harwood. Internal Audit & Risk Manager  
Tel No. 01480 388115



Key Improvement Area	To be delivered by	Current position	
Develop the themes and aims of the Corporate Plan through service delivery plans, performance measures and employees performance targets.	March 2015	A new Service Plan template was prepared in December 2014 for use for 2015/16 Service Plans. This Plan allows for strong links to be made between the Corporate Plan priorities and the key actions required by the services. These actions include performance measures and will form part of a Performance Indicator (PR) suite linking in with other organisation wide PIs and Corporate Plan PI's. All actions need to be owned by an individual along and key contributors identified so it can be linked to individual appraisals. This should ensure the 'golden thread' from Corporate Plan to employee appraisals.	
Publicise the vision statement & strategic themes and outcomes to key stakeholders.	May 2015	The Corporate Plan 2014-16 was agreed in April 2014 and was made available to all staff and through our web site to all stakeholders. The Key Actions and Performance Measures in the Plan are reported on quarterly to Overview and Scrutiny Panels and to Cabinet. The Corporate Plan is being refreshed for an updated version to be issued in April 2015 for the final year of the Plan.	
Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement.	On-going	<p>The continuance of measures previously reported as taken to improve compliance with the Code of Procurement:</p> <ul style="list-style-type: none"> <li>• 67 staff attending training courses.</li> <li>• A publicised and schedule plan of 12 training courses covering the significant procurement areas.</li> <li>• Monthly checks of the electronic contracts register to ensure full completion, with appropriate follow-up action taken.</li> </ul> <p>In addition, a programme has started of visits to individual Service's Team meetings to brief Managers on any changes to procurement practice and gather intelligence on forthcoming procurements.</p>	
Review partnership commitments with an emphasis on the benefits obtained and contribution towards the Corporate Plan.	March 2015	<p>A initial review of partnership commitments has been completed and was reported to the Senior Management Team on 16 February. The aim of the review was to establish:</p> <ul style="list-style-type: none"> <li>• Alignment of partnerships with the corporate plan</li> <li>• To help us decide whether the current definition of partnerships and</li> </ul>	

Key Improvement Area	To be delivered by	Current position	
		assessment criteria need amending, and <ul style="list-style-type: none"> <li>• To find out if any of the partnerships do not meet the assessment criteria.</li> </ul> Further work is required to: <ul style="list-style-type: none"> <li>• Determine priorities for partnership attendance;</li> <li>• Compile a definitive list of all partnership meetings that are attended by employees. The list will focus on providing detail on the desired outcome of partnership attendance e.g. a collaborative approach to service delivery or setting policy and strategy, or just for networking purposes.</li> </ul>	

Public  
Key Decision – No

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Work Programme & Training  
**Meeting/Date:** Corporate Governance Panel – 25 March 2015  
**Executive Portfolio:** Resources: Councillor J A Gray  
**Report by:** Internal Audit & Risk Manager  
**Ward(s) affected:** All Wards

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### **Executive Summary**

The anticipated work programme for the Panel for the next year is shown at Appendix 1. This is based upon the Panel's current terms of reference.

Panel are asked to consider the work programme 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.

### **Financial implications**

Training can be provided by appropriate officers, external audit or external trainers (subject to budgetary constraints).

### **Recommendation**

It is recommended that the Panel consider what training they wish to receive prior to the June meeting.

### **Background papers**

None

### **Contact Officer**

David Harwood. Internal Audit & Risk Manager  
Tel No. 01480 388115

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## Anticipated Work Programme

### June 2015

- Effectiveness of the Panel
- Approval of the Anti-Fraud and Corruption Strategy
- Corporate Fraud Team investigation activity
- Whistleblowing : policy review & investigations
- Whistleblowing concerns received
- Implementation of agreed audit actions
- Risk register review

### July 2015

- Preparing the 2014/15 Annual Governance Statement
- Review of the internal audit service
- Review of Internal Audit Charter
- Internal audit annual report & opinion
- Assurance mapping
- Implementation of agreed audit actions
- Panel Annual Report

### September 2015

- Approval of the Statement of Accounts
- Approval of the 2014/15 Annual Governance Statement
- External audit – ISA 260 report
- Implementation of agreed audit actions

### December 2015

- External Audit – Annual audit letter
- Annual reports – Freedom of Information  
– Business Continuity Planning
- Internal Audit interim progress report
- Implementation of agreed audit actions
- Risk register review

### January 2016

- Progress on introducing external audit recommendations
- External Audit: Grant certification
- Implementation of agreed audit actions

### March 2016

- Review of Council constitution incl.  
Code of financial management  
Code of procurement
- Internal Audit Plan and review of Internal Audit Charter
- External Audit: Audit plan and grant claims
- Risk register review
- Progress on issues raised in the 2014/15 Annual Governance Statement
- Implementation of agreed audit actions

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

Accounting policies	National Fraud Initiative
External audit recommendations	Effectiveness reviews of Panels/Committees
Constitutional matters	Other governance matters (e.g. equality)
Money laundering and bribery	

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