

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, 15 JULY 2015** at **6:30PM** and you are requested to attend for the transaction of the following business:-

**Contact  
(01480)**

## **APOLOGIES**

**1. MINUTES** (Pages 5 - 12)

To approve as a correct record the Minutes of the meeting held on 3rd June 2015.

**M Sage  
388169**

**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 13 - 16)

To receive the Corporate Governance Panel Progress Report.

**M Sage  
388169**

**4. STATUTORY DISMISSAL PROCEDURES FOR HEADS OF PAID SERVICE, MONITORING OFFICERS AND THE RESPONSIBLE FINANCIAL OFFICER** (Pages 17 - 28)

To receive a report regarding changes to the statutory disciplinary and dismissal procedures applying to English Local Authorities' Heads of Paid Service, Monitoring Officers and Chief Financial Officers, as a result of the new Local Authorities (Standing Orders) (England) (Amendment) regulations 2015.

**L Fulcher  
01223 699777**

**5. PREPARING THE 2014/2015 ANNUAL GOVERNANCE STATEMENT** (Pages 29 - 34)

To consider a report by the Internal Audit and Risk Manager on the process in preparing the 2014/15 Annual Governance Statement.

**D Harwood  
388115**

**6. DISPOSAL AND ACQUISITION POLICY: CHANGE TO THE CONSTITUTION** (Pages 35 - 52)

To receive a report by the Head of Resources regarding amendments to the Council's Constitution to reflect the requirements of the Disposal and Acquisitions Policy, as approved by the Cabinet on 18th June 2015.

**C Mason  
388157**

**7. INTERNAL AUDIT SERVICE: ANNUAL REPORT** (Pages 53 - 70)

To receive a report by the Internal Audit and Risk Manager regarding the annual report and opinion of the Internal Audit Service.

**D Harwood  
388115**

**8. INTERNAL AUDIT SERVICE: ANNUAL EFFECTIVENESS AND CHARTER REVIEW** (Pages 71 - 88)

To receive a report by the Internal Audit and Risk Manager on the outcome of the review of the effectiveness of the Internal Audit Service and the Internal Audit Charter.

**D Harwood  
388115**

**9. WORK PROGRAMME AND TRAINING** (Pages 89 - 92)

To consider a report by the Internal Audit and Risk Manager regarding the Panel's Work Programme and Training Programme.

**D Harwood  
388115**

Dated this 7 day of July 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 Mrs Melanie Sage, 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.**

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***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.*

## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in Civic Suite, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 3 June 2015.

PRESENT: Councillor Mrs D C Reynolds – Chairman.  
Councillors T D Alban, E R Butler and R J West.

APOLOGY(IES): Apologies for absence from the meeting were submitted on behalf of Councillors B S Chapman, K J Churchill, M Francis and Mrs P A Jordan.

IN ATTENDANCE: Councillor D M Tysoe (part).

### **4. MINUTES**

The Minutes of the meetings held on 25th March and 20th May 2015 were approved as a correct record and signed by the Chairman.

### **5. MEMBERS' INTERESTS**

There were no declarations of interest received from those Members that were present.

### **6. CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

The Panel received and noted a report (a copy of which is appended in the Minute Book) of actions taken in response to previous decisions.

In response to a question, the Internal Audit and Risk Manager explained that it had been agreed at the previous meeting that a review of the effectiveness of the Panel would be conducted on the proviso that there was commitment from the full membership of the Panel. Unfortunately not all Members of the Panel were able to attend. As the review was required before the Annual Governance Statement was prepared, and as the majority of the Members were new to the Panel, it was agreed that the Internal Audit and Risk Manager would conduct a review and provide a report to the Panel. Prior to the review it was requested that the Internal Audit and Risk Manager discuss the process with the Chairman.

Regarding the 'Value for Money' item it was explained that the Procurement Manager was currently absent through sickness and an Interim Procurement Manager was currently in post. It was anticipated that the Procurement Manager would be able to attend the meeting in the autumn.

### **7. IMPLEMENTATION OF AUDIT ACTIONS**

The Panel received and noted a report by the Internal Audit and Risk

Manager (a copy of which is appended in the Minute Book) which provided performance information regarding the implementation of agreed internal audit actions for the year ending 30 April 2015.

Thirteen actions had not been introduced of which two were more than six months late and two were more than one year late. At the request of the Panel the Head of Resources, Corporate Team Manager and Head of Leisure and Health were in attendance at the meeting to provide explanations as to why the internal audit actions relating to their individual service areas remained outstanding.

The Panel expressed a view that it was the responsibility of the Corporate Management Team to ensure that internal audit actions were implemented and, if not, to identify the reasons why. If audit actions had been deemed significant enough to have target deadlines then the actions should have been delivered on time.

The Corporate Team Manager explained that the staff training and development delivered by the LGSS did not currently meet the needs of the staff or of the authority. Once the 2014/15 appraisal process was complete, training needs outside of the LGSS programme would be identified and referred to LGSS in order to update their training programme to reflect the Council's requirements. The Panel were informed that the action would be completed in July.

In response to questions it was explained that most LGSS clients were not District Councils and training provision was only one element of the service delivered by LGSS. The Council had an allocation of 500 training places that were currently under-used. If LGSS were able to deliver the Council's training requirements it was expected that there would be a reduction in off-contract spend.

Regarding the National and Local Indicators audit action the Panel were informed that 50% of these had been completed and the action would also be completed in July.

It was explained that LGSS had been tasked with reviewing the Council's Pay Policy and Flexible Working Policy to resolve the differing rates of overtime and additional hour payments. The action would be completed during 2015/16.

The Head of Resources explained that the once a review of the Council's property and equipment had been finalised the action would be completed as the assets could be apportioned to the appropriate Head of Service, although the majority would be assigned to one service area.

The Commercial Rents and Estates Management action had been separated into two elements. The Panel were informed that the Uniform system had been assessed and was deemed suitable for recording data on commercial rents and estates. However, additional resource might be required in order to transfer the data from the current system into Uniform.

Regarding the prioritisation of maintenance and repair work to ensure that commercial properties was maintained, the Panel were informed that work at Phoenix Court would be complete by the end of this

financial year and the work required at Clifton Road and Levellers Lane would be included in the assessment for the 2016/17 Capital Works Programme.

Regarding the One Leisure Impressions outstanding audit actions, the Head of Leisure and Health explained that there had not been a dedicated Impressions Manager and that interviews were imminent to recruit to this post. Once recruited a review of the Impressions structure and operational matters would be conducted.

The Panel were assured by the Corporate Director (Services) that the Management Team had modified the monitoring of internal audit actions to ensure that the responsible officers were held accountable and that the Panel would begin to realise a different approach over the next few months.

The various changes to the personnel structure at the Council were highlighted by the Panel and in response to a question it was confirmed that the necessary officers were now in post to manage the outstanding audit actions.

The Panel expressed concern that the report was for noting and stated that the outstanding audit actions, along with the Panel's concern should be highlighted to the Cabinet as the audit actions were significantly overdue. Following discussions it was

RESOLVED

That the Corporate Governance Panel notes the report, and;

**RECOMMEND**

**That the Council note the concerns of the Corporate Governance Panel regarding the number of internal audit actions that are significantly overdue and that the Council recommend to the Cabinet that appropriate action is taken to address these concerns.**

## **8. AUDIT ACTIONS DATABASE**

The Panel received a report (a copy of which is appended in the Minute Book) from the Head of Customer Service which was presented in his absence by the Executive Councillor for Customer Services and Corporate Director (Services).

It was explained that following work to migrate SharePoint based systems it had become apparent that some data stored within the Audit Actions Database had been lost and non-recoverable. The reasons for the loss of data were explained and the Panel were assured that improvements had been made to processes to avoid a repeat occurrence in the future.

The Internal Audit and Risk Manager noted that some elements of the missing data related to findings arising from following up on the implementation of internal audit actions. Whilst this information could be identified from copies of email correspondence it was not an

efficient use of officer time to manually search and review this information and subsequently this information would not be included in the Internal Audit Annual Report to the Panel.

The Panel agreed, as per the report, that the loss of data was highly regrettable. However, accepted that improvements had been implemented and

RESOLVED

That the Corporate Governance Panel notes the findings of the report.

## **9. REVIEW OF FRAUD INVESTIGATION ACTIVITY**

Consideration was given to a report by the Benefits Manager which provided an overview of the activity of the Corporate Fraud Team during 2014/2015.

During the year the Fraud Team received 1028 allegations of fraud, investigated 345 cases and identified fraud valued at £464k, recovered 7 social housing properties and conducted 29 prosecutions.

It was noted that the performance was comparable to that of the previous year. This was despite one member of the Fraud Team being absent due to long-term sickness, the resignation of the Fraud Manager, the transfer of benefit fraud work to the Department for Work and Pensions (DWP) and the Council being involved in two county-wide fraud initiatives. The Cambridgeshire Tenancy Fraud Forum (CTFF), was funded by the Department for Communities and Local Government (CLG) and established in 2013, continued to operate throughout 2014/15. The Council was also the lead authority in a successful bid for funding from CLG to implement the Cambridgeshire Anti-Fraud Network (CAFN) as a successor to the CTFF.

It was anticipated that the CAFN would work to address Council Tax Discount fraud and Tenancy fraud. Once the remit of the CAFN had been established an exercise to determine other types of fraud that the CAFN could address would be conducted including looking at the Corporate Risk Register and issues identified during internal audits, as well as working with services across the Council.

In response to questions by the Panel it was explained that on 1st May 2015 three Investigating Officers transferred to the DWP resulting in the Fraud Team comprising of a Team Leader, Investigator and an Intelligence Officer. All allegations of fraud were assessed by the Fraud Team and those that were malicious, or did not relate to Council business or were of a value that did not warrant a full investigation or a potential prosecution were not investigated. The Fraud Team conducted on-going data matching exercises across a range of Council databases as part of their Work Programme.

The Corporate Governance Panel expressed appreciation to the Benefits Manager and the Fraud Team on its success, particularly under the difficult circumstances and



RESOLVED

That the Corporate Governance Panel notes the report.

**10. ANTI-FRAUD AND CORRUPTION STRATEGY REPORT**

By way of a report by the Head of Customer Services (a copy of which is appended in the Minute Book), in his absence the Internal Audit and Risk Manager explained that the Council's Anti-Fraud and Corruption Strategy had been revised to incorporate the recently published Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on managing the risk of fraud and corruption; the accompanying guidance notes published in December 2014; and the changes within the Corporate Fraud Team to focus on issues other than welfare fraud.

The Corporate Fraud Team were currently reviewing their workload post the introduction of the Single Fraud Investigation Service (SFIS) and the reduction in welfare related investigations. It was expected that the draft work programme would be finalised during the autumn. At the previous meeting the Panel decided to disband the Fraud Working Group and that a new Fraud Working Group should feature as an item on the Corporate Governance Panel Progress Report. It was now recommended that a Fraud Working Group should not be re-established until the Corporate Fraud Team's Work Programme had been agreed.

The Panel were referred to paragraph 3.2 of the officer's report which listed the key issues that had been incorporated into the revised Anti-Fraud and Corruption Strategy.

It was noted by a Panel Member that the Fraud Working Group had raised the profile of fraud within the district which the Council would not want to lose. The Fraud Team should know that the Corporate Governance Panel were approachable should officers believe it necessary to meet.

It was explained that once the remit of the Cambridgeshire Anti-Fraud Network had been agreed, the types of fraud that it would investigate could be identified for instance procurement fraud. Therefore it would be preferable to consider the matter later in the year. Whereupon it was

RESOLVED

That the Corporate Governance Panel:

- i. Approve the Anti-Fraud and Corruption Strategy attached as Appendix 1 of the officer's report; and
- ii. Agree that the re-establishment of a Fraud Working Group be postponed until the draft Work Programme to support the strategy had been considered by the Corporate Management Team.

## **11. RISK REGISTER UPDATE**

The Panel received a report (a copy of which is appended in the Minute Book) regarding changes that had been made to the Risk Register between 2nd September 2014 to 19th May 2015.

The Panel received update reports twice a year on the Risk Register and it was noted that Appendix 2 of the report detailed a summary of the amendments that had been made to the Register.

The Internal Audit and Risk Manager stated that a note which had been prepared at the request of the previous Panel Chairman detailing the role of the Corporate Governance Panel and others would be circulated to the Panel Members.

It was noted that future reports would differ in format. Detailed information on risk management matters would be presented to the Cabinet, to allow them to fulfil their responsibilities as contained in the Risk Management Strategy.

In response to a question regarding whether there would be a change to the Risk Management Champion now that Councillor Harrison had been appointed to the Cabinet, it was explained that when the Risk Management Strategy was presented to the Cabinet the appointed Member Champion would be included within this report.

In addition to accepting the recommendation contained with the officer's report, the Panel

### **RESOLVED**

To note the report; and

Note that each of the very high residual risks be report to the Cabinet for consideration, as per the Risk Management Strategy.

*At the conclusion of the above item, at 7.50pm, Councillor Tysoe left the room and did not return to the meeting.*

## **12. WHISTLEBLOWING POLICY, GUIDANCE AND CONCERNS RECEIVED**

Consideration was given to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) regarding the Council's Whistleblowing Policy and Guidance that had been reviewed, and a summary of the whistleblowing concerns that had been received during the 2014/2015 financial year.

The Whistleblowing Policy and Guidance was reviewed annually and during the review in 2014, the Panel had recommended to Council that it become a signatory to the Public Concern at Work (PCaW) 'The First 100 Campaign', which was established to allow organisations to make a public commitment to support the PCaW Whistleblower Code of Practice.

Subsequently a number of changes had been made to both the Policy and Guidance to reflect the PCaW Whistleblower Code of Practice and a recent Employment Appeal Tribunal decision where the first 'in the public interest' definition had been applied. The main changes proposed to the Policy and Guidance were listed in paragraph 3.6 of the officer's report.

There were no significant amendments proposed to the Policy and Guidance. However, it was noted that the Policy now applied to all Council employees and contractors working for the Council on its premises as well as suppliers and those providing services under a contract with the Council in their own premises.

The Chairman noted that on occasions Councillors were approached by officers with concerns and in order to assist Councillors when dealing with these queries the Internal Audit and Risk Manager had agreed to circulate the Whistleblowing Policy and Guidance to all Councillors.

The Panel

RESOLVED

- i. to approve the revised Whistleblowing Policy and Guidance;  
and
- ii. to note the whistleblowing concerns received.

### **13. 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 forthcoming twelve months and a training programme based upon the Panel's Terms of Reference.

The Panel were informed that an induction session aimed at providing a general oversight of governance structures and an introduction to their programme of work was scheduled immediately prior to the next Panel meeting in July.

Tabled at the meeting was an advice note regarding the forthcoming review of the Council's Constitution. The Panel were informed that a Working Group would be formed encompassing a broad spectrum of Councillors. Whereupon it was

RESOLVED

That the Corporate Governance Panel note the programme of work and approve the training programme.

Chairman

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**CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

| <b>Panel</b>      | <b>Decisions</b>  | <b>Date for Action</b> | <b>Action Taken</b>  | <b>Officer Responsible</b>      | <b>Delete from future list</b> |
|-------------------|---|------------------------|--|---------------------------------|--------------------------------|
| <b>23/07/2014</b> | <p><b><u>Preparing the Annual Governance Statement</u></b></p> <p>Request that the inclusion of corporate surveys in future statements be discussed with the Managing Director.</p> | June 2015              | Information in respect of corporate surveys undertaken will be included in the supporting papers presented to the Panel when they consider compliance with the Code of Corporate Governance.   | Internal Audit & Risk Manager   | Yes                            |
| <b>23/07/2014</b> | <p><b><u>Review of effectiveness</u></b></p> <p>Agreed to undertake a review of the S106 Agreement Advisory Group during 2014/15.</p>   | December 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> | <p><b><u>Effectiveness of the Panel</u></b></p> <p>Referred the evaluation of Member performance to the Member Development Group.</p>   |                        | The Managing Director called a meeting with the Chairman and Vice Chairman to discuss this further. However, this was then cancelled.  | Corporate Team Manager          | No                             |
| <b>25/03/2015</b> | <p>Effectiveness review to be conducted prior to the elections but only if all Members of the Panel attended.</p>   |                        | Not all Members of the Panel were able to attend the effectiveness meeting, it was cancelled. The June Panel agreed that the Internal Audit & Risk Manager would undertake the review, which is to be presented to the September meeting.  | Internal Audit and Risk Manager | Yes                            |

**CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

| <b>Panel</b> | <b>Decisions</b>  | <b>Date for Action</b>  | <b>Action Taken</b>   | <b>Officer Responsible</b>                             | <b>Delete from future list</b>                      |
|--------------|---|---|---|--|---|
| 26/11/2014   | <p><b><u>Training</u></b></p> <p>The Panel are of the opinion that there is a need for mandatory training for Members of the Corporate Governance Panel.</p>  | .   | The Corporate Director (Services) has been asked to consider this as part of her review of the Constitution   | Corporate Director (Services)                          | No (to remain until Constitution review completed). |
| 26/11/2014   | <p><b><u>Value for Money at HDC</u></b></p> <p>Requested that the report of the Overview and Scrutiny Panel (Economic Well-Being) detailing the outcome of the 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> |   |   | Corporate Director (Services)<br><br>Head of Resources | No  |
| 26/11/2014   | <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>   |   | In June 2015 the Panel decided to highlight the continuing non achievement of audit actions to Council. Reports on the implementation of internal audit actions are a standing agenda item. | Managing Director                                      | Yes   |
| 25/03/2015   | <p><b><u>Fraud Working Group</u></b></p> <p>That the subject of a new Fraud Working Group be</p>  | Anti-fraud and corruption strategy report considered by the Panel at the June meeting. See decision |   | Head of Customer Services                              | Yes   |

**CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

| <b>Panel</b>      | <b>Decisions</b>   | <b>Date for Action</b>   | <b>Action Taken</b> | <b>Officer Responsible</b> | <b>Delete from future list</b> |
|-------------------|--|--------------------------|---------------------|----------------------------|--------------------------------|
|                   | included as an item on the Corporate Governance Panel Progress Report to enable the Panel to consider whether they wish to establish a new Fraud Working Group and, if so, to determine the Terms of Reference once the in-house Fraud Team was operational. | immediately below.       |                     |                            |                                |
| <b>03/06/2015</b> | The Panel agreed that the subject of a new Fraud Working Group will not be considered until the Work Programme of the Corporate Fraud Team has been agreed by the Corporate Management Team.   | Not before December 2015 |                     | Head of Customer Services  | No                             |

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**Public**  
**Key Decision - Yes**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Statutory Dismissal Procedures for Heads of Paid Service, Monitoring Officers and the Responsible Financial Officer

**Meeting/Date:** Employment Panel: 17 June 2015  
Corporate Governance Panel: 15 July 2015  
Council: 29 July 2015

**Executive Portfolio:** Councillor Ablewhite

**Report by:** Lynsey Fulcher LGSS HR Business Partner

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### Executive Summary:

#### 1. INTRODUCTION

This report sets out the changes to the statutory disciplinary and dismissal procedures applying to English local authorities' heads of paid service, monitoring officers and chief financial officers, under which a new process will replace the current statutory Designated Independent Person (DIP) process, outlined in the current Local Authorities (Standing Orders) (England) regulations 2001.

The new regulations require authorities to put in place the necessary standing orders in respect of the new process "no later than the first ordinary meeting of the authority falling after 11<sup>th</sup> May 2015". This report will therefore be presented to the Huntingdonshire District Council Employment Panel in June, followed by the Corporate Governance Panel on 15<sup>th</sup> July and finally Council on the 29<sup>th</sup> July 2015.

#### 2. BACKGROUND

The key feature of the new process is that the requirement for a Designated Independent Person is removed, and instead protected officers will not, in most cases, be able to be dismissed unless the dismissal has been approved by full Council by way of a vote. The previous rules are revoked entirely. The new rules do the following:

- They remove the role of the designated independent person.
- They apply only to the dismissal of the head of paid service, responsible financial officer and monitoring officer and not to disciplinary action short of dismissal.
- They remove the restriction on suspension of these officers during investigation of misconduct.
- They extend the provision that only full Council can dismiss the head of paid service to include the dismissal of the head of paid service and monitoring officer.

- They state that, before Council considers whether to dismiss these officers, it must convene a panel made up of councillors and at least two “independent persons”. These are the same independent persons appointed under the Localism Act to advise on standards issues. If the Council cannot recruit two independent persons to the panel it has appointed, it may invite independent persons appointed by another council.
- The Council can appoint more than two independent persons to a panel and there are no rules on the number of councillors on the panel.

In accordance with the new regulations, and to incorporate the requirements of the new Local Authorities (Standing Orders) (England) (Amendment) regulations 2015, changes to the relevant section of the Constitution have been amended and shown in Appendix 1.

The Disciplinary Procedures have also been amended and these are attached at Appendix 2.

### **3. OPTIONS CONSIDERED/IMPLICATIONS**

- 3.1 The changes to the Council’s Employment Procedure Rules are mandatory. The Council has a power to require attendance by more than two “independent persons” at meetings.
- 3.2 The rules still provide greater protection for the three “statutory officers” than for other employees. The justification for this (as set out in the Explanatory Memorandum) is that these officers have statutory duties that they must discharge personally but within a political environment. The intention is to ensure that these officers can discharge their duties without any fear of being influenced by elected members and being dismissed without good reason.

### **4. RECOMMENDATION**

The Panels are invited to consider the amendments to the statutory dismissal procedures and Disciplinary Policy and to formally recommend their adoption by the Council with any amendments that the Panel’s may wish to make.

**Contact Officer: LYNSEY FULCHER, HR BUSINESS PARTNER (LGSS)**  
**☎ 01223 699777**

**PART FOUR – RULES OF PROCEDURE**  
**OFFICER EMPLOYMENT PROCEDURE RULES**

**A. RECRUITMENT AND APPOINTMENT** – no changes proposed.

**B. DISCIPLINARY ACTION**

**1. Head of Paid Service, Monitoring Officer and Chief Finance Officer**

Disciplinary action in respect of the Head of Paid Service, Monitoring Officer and Responsible Finance Officer may be taken only by the full Council or a panel of the Council appointed for that purpose in accordance with the Council's disciplinary policy and procedure and their terms and conditions of employment. No disciplinary action, other than suspension, may be taken except after consideration of a recommendation in a report made by a designated independent ***panel*** under Regulation 7 of the Local Authorities (Standing Orders) (England) (***Amendment***) Regulations ***2015*** (investigation of alleged misconduct).

An officer may be suspended by the Council or panel for the purpose of investigating alleged misconduct but the suspension must be on full pay and of no more than two months duration.

**2. Other Chief Officers and Heads of Service**

Disciplinary action against other Chief Officers and Heads of Service (with the exception of those to which paragraph B1 applies) shall be dealt with under the Council's disciplinary policy and procedures and their terms and conditions of service. In the case of suspension, such action may be taken by the Senior Officers Panel.

**3. Other Employees**

Disciplinary action in respect of other employees may be taken in accordance with the Council's disciplinary procedure and rules adopted by the Employment Panel but such action may not involve councillors, other than as a member of an Appeals Sub-Group as provided for in the disciplinary procedure rules.

**C. DISMISSAL**

**1. Head of Paid Service ***Monitoring Officer and Responsible Finance Officer*****

The full Council must approve the dismissal of the Head of Paid Service, ***Monitoring Officer and Responsible Finance Officer*** following the recommendation of such a dismissal by ***the independent panel*** of the Council appointed for that purpose. That panel must include at least one member of the Cabinet.

**2. Other Chief Officers and Heads of Service**

A panel of the Council appointed for that purpose may approve the dismissal of a Chief Officer or Head of Service (***not included in section C1 above***) or their equivalent. That panel must include at least one member of the Cabinet.

### 3. Other Employees

The dismissal of other employees below heads of service level is the responsibility of the Head of Paid Service or his/her nominee, and may not be made by Councillors.

### 4. Cabinet Notification

A notice of the dismissal of a Chief Officer, *Monitoring Officer, Responsible Finance Officer* or head of service shall not be made by the Council or panel (as appropriate) until –

- (i) the Council or panel has supplied the Head of Paid Service with details of the proposed dismissal;
- (ii) the Head of Paid Service has supplied members of the Cabinet with details of the proposed dismissal and allowed a period for objection to the dismissal by the Executive Leader on behalf of the Cabinet; and
- (iii) the Executive Leader has informed the Head of Paid Service that there is no objection to the dismissal, such objection has not been received within the requisite period or the Council or panel (as appropriate) is satisfied that any objection is not material or well-founded.

## D. APPEALS

An appeal by any employee against any disciplinary action or dismissal by the Council, a panel or the Head of Paid Service or his/her nominee may be heard by an Appeals Panel comprising the Managing Director, the Corporate Director or Head of Service excluding the Corporate Director or Head of Service in whose Service the employee was employed at the time of his/her dismissal and a representative of the Staff Council but not from the Division from which the employee is employed convened by the Elections and Democratic Services Manager under the Council's disciplinary procedure rules.

## E. SUPPLEMENTARY

In the event of the above Rules applying to a case involving an appointment or dismissal in relation to the Head of Paid Service, the references relating to the action to be taken in these Rules by the Head of Paid Service shall be undertaken by the Corporate Director (Services) & Monitoring Officer, *paying regard to the recommendations made by the independent panel.*

## F. THE INDEPENDENT PANEL

*The panel as described in the above Rules should be comprised of at least two independent persons and must include at least one member of the Cabinet. The panel membership must be agreed 20 working days prior to a meeting and will be arranged by the Corporate Director (Services) or in the case of any action against that officer, by the Deputy Monitoring Officer.*

### *Terms of reference for the Panel*

- i) *To investigate proposed disciplinary action against a Chief Officer, Monitoring Officer or Responsible Finance Officer.*
- ii) *To offer advice, views or recommendations to Council on the proposed course of action, including any proposal for dismissal.*

## Disciplinary Policy and Procedure

### **1.0 Introduction**

- 1.1 The Council strives to create and maintain a working environment which is conducive to the achievement of organisational, team and individual objectives and which promotes effective and harmonious working conditions. Huntingdonshire District Council (HDC) believes that all employees should be treated equitably and with respect.
- 1.2 The aim of this policy is to provide a solution for those occasions when standards of conduct or performance are unacceptable and to encourage an improvement in behaviour and prevent future shortcomings in conduct or performance.

### **2.0 References**

Please read this Disciplinary Policy in conjunction with the following:

- ⇒ Attendance Policy.
- ⇒ Capability Policy.
- ⇒ Dignity at Work Policy.
- ⇒ Drugs & Alcohol Policy
- ⇒ Equality of Opportunity Policy.
- ⇒ Grievance Policy and Procedure.
- ⇒ HDC's Key Values and Behaviours
- ⇒ Whistleblowing Policy and Procedure.
  
- ⇒ Employment Act 2002.
- ⇒ Employment Relations Act 1999.
- ⇒ Data Protection Act 1998.

### **3.0 Definition**

- 3.1 In accordance with the ACAS Code of Practice on disciplinary procedures the Council defines disciplinary as "a situation which may include misconduct and / or poor performance".
- 3.2 This policy does not apply in the following situations:
- ⇒ termination of a fixed term contract of employment, where the term of that contract expires without being renewed,
  - ⇒ termination of a fixed term contract where the reason for termination is that the need for the employee's service has or is about to expire,
  - ⇒ where dismissal arises through organisational and efficiency requirements e.g. redundancy,
  - ⇒ where an employee has resigned from their position, or other termination by mutual agreement.
- 3.3 Where an employee is deemed incompetent, incapable or their performance at work is considered no longer effective or efficient due to a lack of skill or

aptitude, or due to health or any other physical or mental quality, these issues should be dealt with under the Capability Policy.

~~Chief Officers are employed under the terms of the JNC for Chief Officers' conditions of service which contain provisions relating to discipline, capability and redundancy. This policy replaces the model procedure for disciplinary arrangements contained in the JNC terms and conditions, subject to the provisions contained in Appendix 7 of this policy.~~

3.4 ***The Officer Employment Procedure Rules within the Huntingdonshire District Council Constitution outlines the disciplinary procedure applicable to the Head of Paid Service, Monitoring Officer and Responsible Financial Officer the holders of these posts are therefore excluded from this policy. Appendix 7 outlines the procedure to be followed for this group of employees.***

~~3.5 The head of paid service (Chief Executive) is employed under the terms of the Joint Negotiating Committee for Chief Executives' conditions of service which contain a model procedure that has been adopted by the Council and the holder of that post is therefore excluded from this policy.~~

#### **4.0 Special Cases**

4.1 If an employee raises a grievance during the disciplinary process, the disciplinary procedure may be temporarily suspended in order to deal with the grievance. Where the grievance and disciplinary cases are related, it may be appropriate to deal with both issues concurrently.

4.2 Where disciplinary action is being taken against a Trade Union representative the normal disciplinary procedure will apply. However, depending on the circumstances it is advisable to discuss the matter with an official employed by the union, after obtaining the employee's agreement.

4.3 The Council requires the highest standards of integrity from its employees at all times, and for this reason, it will regard any criminal offence committed by an employee whilst at work or otherwise, as an extremely serious matter. If an employee is charged with, or convicted of a criminal offence this is not normally in itself reason for disciplinary action. Consideration will be given to what effect the charge or conviction may have on an employee's suitability to do their job and their relationship with the Council, work colleagues and customers.

#### **5.0 Aims**

5.1 This policy aims to:

- ⇒ promote orderly employment relations as well as equity in the treatment of employees,
- ⇒ ensure fairness and consistency in dealing with disciplinary matters,
- ⇒ ensure disciplinary matters are dealt with promptly,
- ⇒ ensure employees are aware of the standards of conduct at work expected of them,
- ⇒ ensure that the necessary investigation is carried out to establish the factual information,

- ⇒ help and encourage employees to improve, dealing with any apparent shortcomings in conduct or performance,
- ⇒ ensure standards are adhered to whilst providing equitable methods in dealing with alleged failures.

## **6.0 Guiding Principles**

- 6.1 This policy is designed to enable facts to be established quickly and ensure consistency in dealing with disciplinary matters.
- 6.2 No disciplinary action will be taken until the matter has been investigated.
- 6.3 At each stage of the procedure an employee will be advised of the nature of the disciplinary and be given the opportunity to state their case.
- 6.4 Disciplinary matters will be heard in a calm and objective manner with the outcome being both fair and equitable.
- 6.5 An employee will not ordinarily be dismissed for a first breach of discipline except in the case of gross misconduct, when the penalty will normally be dismissal without notice and without pay in lieu of notice.
- 6.6 Throughout a disciplinary matter everyone will be treated equitably, with dignity and respect regardless of their gender, race, religion or beliefs, sexuality, age or disability.

## **7.0 Advice and Support**

- 7.1 Advice, support and guidance from Human Resources is always available at all stages of the procedure (informal and formal).
- 7.2 To help ensure the procedure is applied equitably, a representative of Human Resources will be present at all formal disciplinary hearings.
- 7.3 The Council employs a confidential First Contact Listening service, a small team of employee volunteers who have received training in basic listening skills. Whilst they are not trained counsellors, they are able to listen to employees who may feel they need to talk through either a work related or personal problem.
- 7.4 The Council provides counselling and support as appropriate for individual employee's needs to ensure the welfare and performance of an employee is dealt with in a supportive and positive manner.
- 7.5 It may be appropriate for the matter to be dealt with by way of mediation, depending of the nature of the disciplinary. This involves the appointment of a third-party mediator arranged by Human Resources, who will discuss the disciplinary matter with all those involved and seek to facilitate an outcome. Mediation will only be used if all parties involved in the disciplinary agree.
- 7.6 Should any aspect of the disciplinary process cause difficulty because of a disability, language barriers or other difficulties, the Council has trade union representatives, Staff Council representatives, work colleagues and Human Resources who are available to provide necessary help or assistance.

## **8.0 Disciplinary Rules for all employees**

- 8.1 Rules are set out in Appendix 1 which apply to all employees in terms of standards of conduct and performance expected of them during employment. Any breaches of these rules will render an employee liable to disciplinary action.

## **9.0 Disciplinary Procedure**

- 9.1 The Council has a two phase disciplinary procedure, comprising of both informal and formal processes.  
In the cases of minor misconduct or unsatisfactory performance the aim will be to find a solution using the first phase of the procedure – the informal process (See Appendix 2, section 2.0).
- 9.2 On occasions where disciplinary matters cannot be resolved informally or where matters are of a more serious nature therefore require moving directly to formal action, the disciplinary matter will be dealt with at the second phase (formal) of the disciplinary procedure (See Appendix 2, section 3.0).

The formal disciplinary phase comprises of three stages and includes a provision for individuals to appeal if they are not content with the outcome of the formal disciplinary hearing.

- 9.3 Please see attached Appendices for further guidance:

|            |   |  |
|------------|---|--|
| Appendix 1 | - | Disciplinary Rules                     |
| Appendix 2 | - | Disciplinary Procedure                 |
| Appendix 3 | - | Employee Guidelines and Flowchart      |
| Appendix 4 | - | Manager Guidelines and Flowchart       |
| Appendix 5 | - | Appeals Panel – Terms of Reference     |
| Appendix 6 | - | Appeals Sub Group – Terms of Reference |
| Appendix 7 | - | Special provisions for Chief Officers  |

## **10.0 The right to be accompanied at Disciplinary investigations and hearing**

- 10.1 The Employment Relations Act 1999 gives a statutory right to be accompanied by a companion at a disciplinary hearing (See Appendix 2, section 11.0).
- 10.2 HDC allows an employee being investigated and any witnesses that are interviewed, where a statement is required to be signed, the right to have a representative present at the meeting. The chosen companion may be a Staff Council, Union representative or work colleague.

## **11.0 Keeping written records**

- 11.1 Human Resources keeps a written record of all disciplinary cases dealt with.

These records include:

1. the nature of the disciplinary;
2. all findings made from investigatory meetings;
3. all interviews and documentation in relation to the disciplinary;



4. what was decided and the action taken;
5. the reason for the actions;
6. whether an appeal was lodged;
7. the outcome of the appeal; and
8. any subsequent developments.

It is a Managers responsibility to complete a file note for disciplinary matters dealt with at the informal stage, this is to include the first five points above and be forwarded to Human Resources for the employee's personal file.

- 11.2 All records are treated as confidential and kept in accordance with the Data Protection Act 1998 on an employee's personal file held by Human Resources.
- 11.3 Copies of meeting records will be supplied on request from the employee including copies of any formal minutes that have been taken. In certain circumstances (for example to protect a witness) the Council may withhold some information.
- 11.4 The Council monitors disciplinary statistics for reporting purposes on gender, race, age and disability. All reporting is anonymous.

**1.0 Application**

- 1.1 This disciplinary policy and procedure applies to chief officers, subject to the provisions of this appendix. This appendix also applies to heads of service who have been appointed as chief finance officer or monitoring officer.
- 1.2 In the case of chief officers, this policy replaces the model disciplinary procedure contained in the JNC for Chief Officers for Local Authorities terms and conditions. All other aspects of part 4 of those terms and conditions relating to discipline, capability and redundancy remain unaltered.

**2.0 Chief Finance Officer and Monitoring Officer**

- 2.1 No disciplinary action in respect of the responsible finance officer or monitoring officer, except suspension, may be taken by the Council ~~or a panel of the Council~~ **except after consideration of a recommendation in a report made by a designated independent panel under Regulation 7 of the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 (investigation of alleged misconduct)**, ~~than in accordance with a recommendation in a report made by a designated independent person under regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001 (investigation of alleged misconduct).~~
- 2.2 ***The panel as described in the above Rules should be comprised of at least two independent persons and must include at least one member of the Cabinet. The panel membership must be agreed 20 working days prior to a meeting and will be arranged by the Corporate Director (Services) or in the case of any action against that officer, by the Deputy Monitoring Officer.***

The designated independent **panel** –

- (i) may ~~direct~~ **recommend**–
- (a) that the Council terminates any suspension of the relevant officer;
  - (b) that any such suspension must continue after the expiry of the period of two months;
  - (c) that the terms on which any such suspension has taken place must be varied in accordance with the direction; or
  - (d) that no steps (whether by the Council or a panel of the Council) towards disciplinary action or further disciplinary action against the relevant officer, other than steps taken in the presence or with the agreement of the designated independent **panel**, are to be taken before a report is made by the designated independent person;
- (ii) may inspect any documents relating to the conduct of the relevant officer which are in the possession of the Council, or which the Council has power to authorise **them** to inspect;
- (iii) may require any member of staff of the Council to answer questions concerning the conduct of the relevant officer;
- (iv) must make a report to the Council –

- (a) stating *their* opinion as to whether (and, if so, the extent to which) the evidence he has obtained supports any allegation of misconduct against the relevant officer; and
  - (b) recommending any disciplinary action which appears to be appropriate for the Council to take against the relevant officer; and
- (v) must, no later than the time at which he makes his report, send a copy to the relevant officer.

### **3.0 Suspension**

3.1 A chief officer or a head of service appointed as chief finance officer or monitoring officer may be suspended for the purpose of investigating the alleged misconduct occasioning the action. Any such suspension must be on full pay and terminate no later than 2 months later than the day on which the suspension takes effect.

### **4.0 Chief Officers**

4.1 A chief officer will receive not less than 10 working days written notice of the meeting of the Senior Officers Panel. Before the meeting the chief officer has the right, if so requested, within a reasonable time (i) to receive further details of the complaint made and/or (ii) to a postponement of the meeting for a jointly agreed period not exceeding 14 days. The chief officer may circulate a written statement to the Senior Officers Panel before the meeting.

4.2 As a result of a hearing, the Senior Officers Panel can –

- (i) exonerate the chief officer;
- (ii) state its opinion as to whether (and if so the extent to which) the evidence it has obtained supports any allegation of misconduct against the chief officer;
- (iii) determine the disciplinary action (if any) or range of actions which appear appropriate to take against the chief officer. The appropriate course of action will be drawn from the following list:-
  - (a) recorded verbal warning;
  - (b) written warning;
  - (c) final written warning;
  - (d) suspension on half pay or no pay for a specified period;
  - (e) relegation (i.e. a reduction in salary) for a specified period;
  - (f) an invitation to resign or accept retirement;
  - (g) dismissal with notice.

4.3 The final decision will be given to the chief officer in writing at the earliest opportunity.

4.4 In the event of a decision to dismiss a chief officer, such action will be subject to the provisions of Part II of Schedule I of the Local Authorities (Standing Orders) (England) Regulations 2001.

4.5 If a warning is given, it should tell the chief officer –

- (i) the level of improvement required;
- (ii) the date by which it is to be achieved;
- (iii) what will happen if it is not;
- (iv) how to appeal.

4.6 Alternatively, the Panel may explore other alternatives, e.g.

- (i) early retirement;
- (ii) secondment;
- (iii) redeployment to a more junior post where there are issues relating to capability.

4.7 In the case of a chief officer submitting an appeal against a decision of the Senior Officers Panel, the appeal will be dealt with by the Appeals Sub Group in accordance with the terms of reference of that Sub-Group set out in Appendix 6 of the disciplinary policy and procedure.

4.8 The decision of the Appeals Sub Group shall be final.

**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title:** Preparing the Annual Governance Statement

**Meeting/Date:** Corporate Governance Panel – 15 July 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**

This report explains the process that is to be followed to prepare the 2014/15 Annual Governance Statement (AGS).

The Panel have previously received reports at their July meeting that outlined possible issues for inclusion in the annual governance statement arising from their review of the Council's current position against the Code of Corporate Governance. That review has not yet been undertaken.

The Panel's next meeting is due on the 16 September, at which they will have to agree the AGS so that the statutory deadline of 30 September is met.

Corporate Management Team have asked the Senior Management Team (SMT) to undertake the Code of Corporate Governance review, with the subsequent reporting of any exceptions to the Code being reported to an informal meeting of the Panel. The Panel will then have the opportunity to challenge SMT's findings and agree any significant governance issues that require to be specifically highlighted in the AGS.

The AGS will then be drafted and shared with the Panel. Depending on the number and type of comments that are received it may be necessary to hold another informal Panel meeting, but this will only be as a matter of last resort.

This process has worked well in previous years, allowing the Panel to understand the wider governance framework, become involved in drafting the AGS and so allowing it to be approved in September without further challenge or amendment required.

The AGS is required to include details of any significant governance issues that have arisen. 'Proper practice' as set out in published guidance, does not define the phrase significant. It is therefore proposed that Panel adopted their own significant governance issues definition. This will be wide ranging, dealing with issues as diverse as the non-achievement of the Corporate Plan

objectives, financial resilience and harm to the Council's reputation.

**Recommendation**

It is recommended that the Panel

1. Agree the process that is to be followed for the preparation of the 2014/15 annual governance statement; and
2. Approve the range of significant governance issues definitions as detailed at paragraph 3.6 in the report.

## **1. WHAT IS THIS REPORT ABOUT**

- 1.1 This report sets out the process to be followed for preparing the 2014/15 Annual Governance Statement (AGS).

## **2. WHY IS THIS REPORT NECESSARY/BACKGROUND**

- 2.1 For the last few years the Panel have held an informal meeting to review the evidence and documentation that supports compliance with the Code of Corporate Governance (Code) principles.
- 2.2 Following last year's review (June 2014) a report was sent to the subsequent Panel meeting (July 2014), summarising the outcome of the review and identifying any areas where it was felt that the Council was not sufficiently complying or in conformance with the Code. The Panel then considered which of the areas were deemed significant enough to be included in the AGS. It is proposed that this process be changed.

## **3. OPTIONS CONSIDERED/ANALYSIS**

- 3.1 The Corporate Management Team (CMT) wish to streamline the review process by increasing the involvement of the Senior Management Team (SMT) in the evidence and documentation review process. SMT are primarily responsible for ensuring that the Code principles are delivered.
- 3.2 Previous reviews of the Code have only had direct input from those managers who were responsible for delivering specific aspects of the Code. Whilst the Internal Audit & Risk Manager has provided general oversight and challenge, the views of the managers own peers has been missing. The new approach will increase the peer challenge and remove the requirement for the Internal Audit & Risk Manager to be heavily involved at this early stage.
- 3.3 Following the SMT review and challenge, a report will be prepared for CGP that summarises the outcome of the review and details those areas of the Code that SMT consider have not been met or require improvement. Due to the delay in commencing the 2014/15 review, the summary report will have to be discussed by Panel at an informal meeting (as in past years). SMT will attend that meeting and so allow the Panel to question and further challenge the review process and the report contents. This approach will allow the Panel to use their time in a more focused and effective way by concentrating on the key issues that have been identified by SMT rather than having to consider all areas, including those that are working effectively. It is proposed that the informal Panel meeting will be held in early August.
- 3.4 If any issues have been identified from the SMT review, the Panel will determine which of them are significant enough to be included in the AGS. The Internal Audit & Risk Manager will then prepare a

draft AGS, and after obtaining CMT, SMT and the external auditors comments, invite the Panel to make their own comments on its contents. This will allow the final AGS to be prepared and agreed prior to its submission to the September 2015 Panel meeting.

3.5 In previous years the Panel have formed their own view as to what should or should not be considered a significant governance issue. With SMT having to prepare an exception report, it is an appropriate time for Panel to formally agree a range of issues that detail what should be considered to be a significant governance issue.

3.6 It is not possible to provide a definition to suit all contexts. As the Panel have done in the past, SMT will need to exercise judgement in deciding whether or not particular issues or events should be considered for inclusion in the AGS. The factors that will help SMT in exercising judgement are listed below.

Has the issue identified:

- seriously prejudiced or prevented the achievement of the Corporate Plan themes and aims;
- resulted in the need to seek additional funding or the significant diversion of resources;
- led to a material impact on the financial statements;
- attracted or have the potential to attract significant public interest or have had an impact on the reputation of the Council;
- resulted in formal action being undertaken by the Head of Resources or the Monitoring Officer.
- already been identified by the External Auditor or the Panel as being significant;
- been reported by the Internal Audit & Risk Manager as significant in their annual internal audit opinion;
- resulted in disclosures of serious incidents relating to information governance, including data loss or confidentiality breach;
- put a significant programme or project at risk.

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

4.1 Not applicable.

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

5.1 The AGS is required to be approved by the Panel by the 30 September 2015. If the Panel approve the process set-out in this report, a project plan will be prepared by the Corporate Director (Services) that allows for the approval of the AGS at the 16 September Panel meeting.



## **6. WHAT ACTIONS WILL BE TAKEN?**

- 6.1 The review of the Code will be undertaken by SMT. This is required to be completed by the end of July so as to allow the Panel to consider their findings and allow for the AGS to be written.

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

- 7.1 The AGS is a statutory requirement and that

## **8. CONSULTATION**

- 8.1 Not applicable.

## **9. LEGAL IMPLICATIONS**

- 9.1 Whilst the AGS has to be approved by the 30 September, the legal implications from non-compliance are considered to be low. The external auditor would refer to the matter in their annual audit letter which may have an effect upon the Council's reputation.

## **10. RESOURCE IMPLICATIONS**

- 10.1 There are no resource implications arising from this report.

## **11. OTHER IMPLICATIONS**

- 11.1 None.

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

- 12.1 A change to the process for preparing the AGS is being proposed. This will result in SMT leading on the review of the Code. SMT will require guidance as to what constitutes a significance governance issue so that they can report such issues by exception to the Panel.

## **BACKGROUND PAPERS**

None

## **CONTACT OFFICER**

David Harwood, Internal Audit & Risk Manager

**☎ 01480 388115**

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**Public**  
**Key Decision - Yes**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Disposal and Acquisition Policy: Change to the Constitution  
**Meeting/Date:** Corporate Governance Panel – 15<sup>th</sup> July 2015  
**Executive Portfolio:** Executive Councillor for Resources: Jonathan Gray  
**Report by:** Head of Resources: Clive Mason  
**Ward(s) affected:** All

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### **Executive Summary:**

For the Panel to approve the change to the Council's Constitution to reflect the requirements of the Disposal and Acquisitions Policy that was approved by Cabinet on the 18<sup>th</sup> June 2015.

It is considered that the current thresholds and procedures within the Constitution are too restrictive to enable a more commercial approach to management of the Council's property portfolio, and therefore a new Policy and governance model is required. The new Policy sets out the legal context, principles and governance arrangements by which the Council will dispose and acquire land and property, including new monetary thresholds. The benefits that are expected to result following the introduction of the Policy are:

- to ensure that the changing needs of service requirements are managed effectively
- the rationalisation of assets are managed effectively
- the Council is transparent in its property dealings
- there is clarity of aim and consistency of approach between Officers, Members and other interested parties

The Policy itself will not have any direct financial or legal implications. However, the operation of the Policy will require adherence to prescribed Council strategies (e.g. Treasury Management) and any statutory provisions relating to a Council's use of assets. However, the operation of the Policy is expected to provide for medium-term support to the Council's revenue budget.

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

That the Panel recommends to Council that the Constitution is amended to reflect the Disposal and Acquisition Policy attached in Annex A.

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## **1. PURPOSE**

- 1.1 For the Panel to approve the change to the Council's Constitution to reflect the requirements of the Disposal and Acquisitions Policy that was approved by Cabinet on the 18<sup>th</sup> June 2015.

## **2. BACKGROUND**

- 2.1 The Corporate Governance Panel has responsibility for the approving changes to the Constitution, which includes the Code of Financial Management and Code of Procurement.

- 2.2 The new Disposals and Acquisitions Policy that was approved by Cabinet on the 18<sup>th</sup> June 2015 includes a range of new requirements to enable the Council to be more agile in its approach to the disposal and acquisition of capital assets. For information a copy of the report that was presented to Cabinet is attached as Annex A. The report provides all relevant detail for the Panel to consider; however the main changes to the Constitution include new:

- thresholds for the disposal and acquisition of land and property.
- governance arrangements in respect of the aforementioned thresholds; including delegations to officers (following consultation with the relevant Executive Councillor) and the formation of, and reporting to the Treasury and Capital Management Group.

## **3. COMMENTS OF OVERVIEW & SCRUTINY PANEL**

- 3.1 The Overview and Scrutiny Panel (Economic Well-Being) were consulted and relevant representations were made at Cabinet.

## **4. KEY IMPACTS/RISKS?**

- 4.1 The Policy will introduce increased monetary thresholds compared to those currently included in the Constitution; however there will be appropriate safeguards to ensure that there is appropriate reporting of decisions.

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

- 5.1 The Policy will support the achievement of the Corporate Plan requirement of "Ensuring we are a customer focused and service led council" by "becoming more business-like and efficient in the way we deliver services".

## **6. CONSULTATION**

- 6.1 None

## **7. LEGAL IMPLICATIONS**

- 7.1 This policy will impact upon the current Constitution. A review of the Constitution is imminent and therefore consideration to this policy must be given and amendments to the Constitution made as necessary.

- 7.2 References to Acquisitions and Disposals within the Code of Procurement will need to either be reviewed or removed.

## **8. RESOURCE IMPLICATIONS**

- 8.1 To put in place a “fit for purpose” approach to the disposal and acquisition of land and buildings that will support the Council’s Investment Strategy. This will then in turn assist the Council in generating additional revenue income through the development of a commercial asset portfolio.

## **9 REASONS FOR THE RECOMMENDED DECISIONS**

- 9.1 To put in place a “fit for purpose” approach to the disposal and acquisition of land and buildings that will support the Council’s Investment Strategy. This will then in turn assist the Council in generating additional revenue income through the development of a commercial asset portfolio.

## **10. LIST OF APPENDICES INCLUDED**

Annex A – Copy of the Disposal and Acquisition Policy: Land and Property report that was presented to Cabinet on the 18<sup>th</sup> June 2015.

## **CONTACT OFFICER**

Clive Mason, Head of Resources,  
☎ 8157 [clive.mason@huntingdonshire.gov.uk](mailto:clive.mason@huntingdonshire.gov.uk)

**Public**  
**Key Decision - Yes**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Disposal and Acquisition Policy: Land and Property

**Meeting/Date:** Overview & Scrutiny (Economic Well-Being) Panel – 4<sup>th</sup>  
June 2015  
Cabinet – 18<sup>th</sup> June 2015

**Executive Portfolio:** Executive Councillor for Resources: Jonathan Gray

**Report by:** Head of Resources: Clive Mason

**Ward(s) affected:** All

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### **Executive Summary:**

The main purpose of the Disposal and Acquisition Policy (see Appendix 1) is to provide a framework through which the Council will be able to effectively manage its estate of land and buildings within a commercial environment.

It is considered that the current thresholds and procedures within the Constitution are too restrictive to enable a more commercial approach to management of the Council's property portfolio, and therefore a new Policy and governance model is required. The new Policy sets out the legal context, principles and governance arrangements by which the Council will dispose and acquire land and property, including new monetary thresholds. The benefits that are expected to result following the introduction of the Policy are:

- to ensure that the changing needs of service requirements are managed effectively
- the rationalisation of assets are managed effectively
- the Council is transparent in its property dealings
- there is clarity of aim and consistency of approach between Officers, Members and other interested parties

Underpinning the Policy will be the Council's Investment Strategy and Capital Programme process and a detailed Code of Practice which sets out the processes that officers will follow to gain approval for disposal or acquisition. One of the main tenets of the Policy and supporting code and governance arrangements is the embedding of commercialisation within the disposal and acquisition decision making process. So commercial decisions can be made in the most efficient way possible, it is essential that the Council can "move quickly" so it can have in place the right balance of resource so it can maximise the commercial opportunities that present themselves.

The Commercial Investment Strategy is currently being developed and an early draft is expected to be presented to members in July 2015. The Strategy will set out the proposed investment levels, risk appetite and other factors that are essential in such a strategy.

The main criteria regarding the disposal and acquisition of assets is shown below:

- What constitutes an acquisition and the statutory powers of a Council to acquire an asset.
- The process of acquiring an asset.
- Budget responsibility.
- Estates service having responsibility for all asset acquisitions.
- Appropriate performance management assessments.

**Thresholds for both Disposals and Acquisitions:**

To ensure that the decision making process is as agile as possible; it is considered that the current thresholds within the Constitution are too restrictive. Consequently it is recommended that the following thresholds will allow the Council to make decisions in a more efficient and effective way.

|                        |  |
|------------------------|--|
| £0 - £500,000          | Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources |
| £500,000 to £2,000,000 | Treasury and Capital Management Group  |
| £2,000,000 +           | Cabinet  |

**Governance:**

It is proposed that a Treasury and Capital Management Group (TCMG) will be a formally constituted sub-committee of Cabinet, including the Leader, Deputy Leader and the Executive Councillor for Resources as well as relevant members of Corporate Management Team and the Responsible Financial Officer. The primary role of TCMG will be to agree:

- Treasury Management investment decisions (including the acquisition and disposal of all types of assets)
- The Capital Programme and the undertaking of all capital development, including the approval of Business Cases.
- Comment on Treasury Management performance.
- Call officer's to account in respect performance relating to capital projects.

**Resources**

The Policy itself will not have any direct financial or legal implications. However, the operation of the Policy will require adherence to prescribed Council strategies (e.g. Treasury Management) and any statutory provisions relating to a Council's use of assets. However, the operation of the Policy is expected to provide for medium-term support to the Council's revenue budget.

**Recommendation(s):**

The Cabinet:

1. approves the:
  - i. Disposal and Acquisitions Policy; including the new monetary thresholds.
  - ii. creation of the Treasury and Capital Management Group.



2. recommends to the Corporate Governance Panel that it approves all required changes to the Constitution (including the Code of Financial Management) to reflect the requirements of the Disposal and Acquisitions Policy.

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## **1. WHAT IS THIS REPORT ABOUT?**

- 1.1 Seeking approval for a new Disposal and Acquisition Policy: Land and Buildings (Appendix 1), and associated governance arrangements that will allow the Council to undertake, in a more efficient, effective and agile way, the disposal and acquisition of land and buildings in support of the Councils Treasury Management and Investment Strategies.

## **2. BACKGROUND**

- 2.1 Members will recall, as reported to Council in February 2015, that over the medium term the Council faces considerable “revenue” financial challenges. Currently the Medium Term Financial Strategy is showing a revenue gap of £2.4m by 2019/20. However, as shown on the “Plan on a Page” (Appendix 2) if, as the Council is aiming to do, it removes its reliance on New Homes Bonus, the funding gap will increase to £8.2m.
- 2.2 The “Plan on a Page” also shows that the Council has in train a number of core business activities that will assist in bridging the funding gap. As well as alternative service delivery models and budget change programmes, the “Plan on a Page” recognises that income generation is one of those core business activities.
- 2.3 One of the main components of “income generation” will be the “Commercial Investment Strategy” (CIS); a draft of this is expected to be reported to members in July 2015. The aim of the CIS will be for the Council to invest in a wider portfolio of commercial type properties than it currently has to provide a long-term revenue stream. To enable this activity to be undertaken it is essential that the Council has in place a decision-making process that is appropriately agile that will support the disposal and acquisition of assets. Consequently, the Policy will include new procedures, monetary thresholds and governance arrangements.

## **3. SUMMARY PROPOSALS WITHIN THE POLICY**

### **Disposals Policy**

- 3.1 The aim of the disposals Policy is to ensure that the Councils current asset portfolio is disposed of in the most cost effective way possible; thereby ensuring that the best return is achieved. The main requirements of the disposal policy include:
- Land and property will only be declared surplus if it no longer meets corporate and/or investment priorities.
  - Land and property will only be disposed of when it is concluded that no other use can be made of the asset, within statutory provisions.
  - Land and property will be sold for the best consideration or where disposal by other means best meets corporate objectives.

### **Acquisition Policy**

- 3.2 The aim of the acquisition Policy is to ensure that the Council only adds to its current asset portfolio for specific purposes; namely Service delivery, investment and future development in line with objectives and the Corporate Plan. The main requirements of the acquisition policy include:

- All acquisitions of land and property will be in respect of freehold, leasehold or licence.
- Land and property will only be acquired where it benefits service delivery and/or maximises investment opportunities and/or future strategic development.

### Thresholds

3.3 As noted within the Constitution, the current thresholds for the disposal and acquisition of assets are:

- Up to £50,000, the Managing Director may grant/assign leases; approve variation in leases or their surrender and approve sub-lettings, restrictive covenants, grant licences, easements and way leaves etc.
- Approval of Corporate Management Team for all disposals and acquisitions between £50,000 and £200,000
- Approval by Cabinet for all disposals and acquisitions in excess of £200,000, for recommendation to Council as a “key decision”.

3.4 It is considered that the above thresholds will not give the Council the required agility needed for it to effectively operate within the commercial asset environment; this is primarily due to the length of time required for reports to pass through to Cabinet. Disposal and Acquisition decisions, although “not made overnight” will need to be made relatively quickly to enable the Council to maximise receipts or take advantage of assets that are for sale. Therefore, it is proposed that the thresholds noted in Table 1 are adopted.

| <b>Table 1</b>         | <b>New Thresholds of the Disposal and Acquisition of Land and Buildings</b>  |
|------------------------|--|
| £0 - £500,000          | Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources |
| £500,000 to £2,000,000 | Treasury and Capital Management Group (TCMG)   |
| £2,000,000 +           | Cabinet  |

The financial thresholds to be reviewed in 12 months following approval (see para 4.1).

### Governance

3.5 The thresholds proposed in paragraph 3.4 are a considerable change to those currently included within the Constitution. However, there will be tight governance around these new thresholds, this is illustrated below:

- Up to £500,000, these will be officer lead decisions. However, the officers concerned will be those at the strategic level within the Council. In addition, all decisions will only be made following consultation with the relevant Executive Councillor.
- Between £500,000 and £2,000,000, decisions will be made by the Treasury and Capital Management Group (TCMG). TCMG is not currently constituted as one of the Council’s member decision-making

committees, but it is intended that it will be when the review of the Constitution is completed. Key aspects of TCMG are that:

- It will be a sub-committee of Cabinet.
- It will have powers to make decisions in respect of both Treasury and Capital Asset Management.
- Core members of the group will be the Executive Leader, Deputy Leader and the Executive Councillor for Resources, with co-opts as required by the Core members.
- Officer support will be the Managing Director and the Head of Resources.

- In excess of £2,000,000 decisions will be made by Cabinet.

Disposal and acquisition decisions will be retrospectively reported to the Overview & Scrutiny (Economic Well-Being) Panel (see para 4.1).

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

4.1 The Overview & Scrutiny (Economic Well-Being) Panel held on the 4<sup>th</sup> June 2014 recommended that:

- Where disposal and acquisition decisions are made, that these are retrospectively reported to the Panel.
- The new financial thresholds are reviewed 12 months following approval.

In both respects the Policy attached at Appendix 1 has been updated accordingly.

#### **5. KEY IMPACTS/RISKS?**

5.1 The key impact of the introduction of the Policy will be to allow the Council to be more agile in its decision making around the disposal and acquisition of land and buildings. In this way it will be able to react more quickly to opportunities that arise. All investment decisions will be subject to appropriate business cases and where necessary due diligence.

The risk of not having a more agile decision making process is that the Council may lose investment opportunities. This could mean that the Councils ability to meet the current gap in the revenue budget will be curtailed; and therefore any gap could have to be met from cuts in services.

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

6.1 The Policy will support the achievement of the Corporate Plan requirement of “Ensuring we are a customer focused and service led council” by “becoming more business-like and efficient in the way we deliver services”.

#### **7. CONSULTATION**

7.1 None

#### **8. LEGAL IMPLICATIONS**

8.1 This policy will impact upon the current Constitution. A review of the Constitution is imminent and therefore consideration to this policy must be given and amendments to the Constitution made as necessary.

8.2 References to Acquisitions and Disposals within the Code of Procurement will need to either be reviewed or removed.

## **9. RESOURCE IMPLICATIONS**

9.1 The Policy itself will not have any direct resource implications. However, the operation of the Policy:

- will require adherence to prescribed Council strategies (e.g. Treasury Management) and any statutory provisions relating to a Council's use of assets.
- is expected to assist the Council in bridging the revenue funding gap as detailed within the Council's Medium Term Financial Strategy.

## **10 REASONS FOR THE RECOMMENDED DECISIONS**

10.1 To put in place a "fit for purpose" approach to the disposal and acquisition of land and buildings that will support the Council's Investment Strategy. This will then in turn assist the Council in generating additional revenue income through the development of a commercial asset portfolio.

## **11. LIST OF APPENDICES INCLUDED**

Appendix 1 – Disposal and Acquisition Policy.

Appendix 2 – Plan on a Page.

## **BACKGROUND PAPERS**

Held with Resources

## **CONTACT OFFICER**

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# Huntingdonshire District Council

# DISPOSAL AND ACQUISITION

## Policy 2015

Date Approved: xx/xx/2015

Review Date: xx/xx/2017

Version 9

## **Definition**

The Council defines the “disposal and acquisition” of land and property as the means by which it can either disinvest and dispose of land and property that it considers are surplus to its service or investments needs or invest in land and property that will allow the Council to benefit from service efficiency or investment opportunities.

## **Risk management**

All activity relating to land and property will be undertaken within an environment that minimises risk to both services and the capital, or revenue, investment that is made. This includes impacts on reputation. There will be appropriate reporting to ensure that all parties are aware of the risk that is being faced by any disposals or acquisitions.

## **Value for Money**

Value for Money is at the heart of how the Council delivers its services; regardless of whether these are front-line or back-office. In respect of the management of land and property, the Council will develop an Asset Management Plan that will ensure that the Council is only holding to an optimum balance of assets to meet both its service and investment requirements.

## **Disposals Policy**

- Land and property will only be determined as surplus if it no longer meets corporate and/or investment priorities.
- Land and property will only be disposed when it is concluded that no other use can be made of the asset, within statutory provisions. There are two distinct processes relating to:
  - Medium to large areas of land, their disposal is dependent on public benefit and corporate aims and objectives.
  - Small areas of open space, their disposal is dealt with through the “Sales of Small Areas of Land Policy and Procedures”.
- Prior to sale, partners of the Council will be contacted to determine if there is an alternative use for the land and property.
- Subject to legislative requirements, the Council will sell any surplus land and property for the best consideration, where this is not possible or where corporate objectives are not being met, appropriate activity will be undertaken to ensure that the Councils maximises any capital receipts.
- Surplus land will be disposed of as expeditiously as possible and follow appropriate methods of disposal.



## **Public Engagement Considerations**

- The Council's communication team will be consulted to ensure that any disposal of land and buildings is undertaken in a proportionate way.
- Consideration will be given to the statutory requirements of the Local Government Act 1972 and the Town and County Planning Act 1990

## **Performance Management**

Capital Receipts targets will be assessed annually and progress will be reported to the Corporate Management Team and Cabinet as part of the routine budget monitoring cycle.

## **Acquisitions Policy**

- All acquisitions of land and property are in respect of freehold, leasehold or licence.
- Land and property will only be acquired where it benefits service delivery and/or maximises investment opportunities and/or future strategic development, subject to meeting strict criteria; such as, need for asset to meet service delivery levels, option appraisal, on-going revenue costs are appropriately budgeted for, tenure is determined and VAT considerations (especially Opt to Tax).

## **Powers to Acquire Land and Buildings**

The acquisition of land and buildings is enshrined within the requirements of the Local Government Act 1972 and to invest within the requirements of the Local Government Act 2003.

## **Performance Management**

There will be ongoing monitoring of acquisitions between the responsible officers and the parties selling or otherwise concerned with the acquisition. There will be appropriate reporting to Corporate Management Team where performance is in question.

## **Overarching Policy**

All valuations of land will be undertaken by suitably qualified professionals.

VAT implications will always be considered.

## **Resources**

The resource implications, including Legal, Finance and Procurement will be considered for every disposal or acquisition of land and buildings and the both members and officers will be required to comply with the pertinent requirements of both the Code of Procurement and the Code of Financial Management. The financial thresholds for both disposals and acquisitions are as follows:

|                        |  |
|------------------------|--|
| £0 - £500,000          | Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources |
| £500,000 to £2,000,000 | Treasury and Capital Management Group  |
| £2,000,000 +           | Cabinet  |

The financial thresholds to be reviewed in 12 months following approval.

## **Governance**

The Council will have regard to all statutory and local regulations, including reporting to Corporate Management Team and in line with the Constitution, including the Treasury and Capital Management Group.

All disposal and acquisition decisions will be retrospectively reported to the Overview & Scrutiny (Economic Well-Being) Panel.

.....

**VISION**

To improve the quality of life for the people of Huntingdonshire and work towards sustainable economic growth whilst providing value for money services

**STRATEGIC PRIORITIES**

A strong local economy

Enabling sustainable growth

Working with our communities

Ensuring we are customer focused and service led council

**CURRENT SERVICES**

Customer Service Strategy / Service Standards

Lean

Shared Services

Zero Basing

Income Generation

Facing the Future

CLICK arrow for details

CLICK arrow for details

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**FINANCIAL**

Financial ambitions

To reduce the Council's reliance on Central Government Funding and in so doing create a sustainable financial platform

Approved MTFs

% cut from MTFs

Modified budget

|                 | 2015/16   | 2016/17        | 2017/18        | 2018/19        | 2019/20        |
|-----------------|-----------|----------------|----------------|----------------|----------------|
| Approved MTFs   | £18.881m  | £19.870m       | £20.671m       | £21.259m       | £21.721m       |
| % cut from MTFs | 0% (-£0m) | 19.2% (-£3.8m) | 28.6% (-£5.9m) | 35.1% (-£7.5m) | 37.6% (-£8.2m) |
| Modified budget | £18.881m  | £16.059m       | £14.750m       | £13.805m       | £13.553m       |

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**Public  
Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title:** Internal Audit Service: Annual Report  
**Meeting/Date:** Corporate Governance Panel – 15 July 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 (PSIAS) the Internal Audit & Risk Manager has to provide an annual report and opinion to the Panel.

This report details the work undertaken by Internal Audit during the period 1 April 2014 to 31 March 2015 to support the following opinion statement.

#### **Audit Opinion**

Based upon work undertaken and statements from external assurance providers, it is my opinion that the Council's internal control environment and systems of internal control as at 31 March 2015 provide adequate assurance over key business processes and financial systems.

**David Harwood**  
**Internal Audit & Risk Manager**

June 2015

The adequate assurance opinion improves upon the limited assurance opinion given last year. The financial system controls are in place and with the exception of those within accounts receivable are working effectively.

To conform with the requirements of the PSIAS, the report also provides information on:

- the delivery of the annual audit plan;
- audit reports issued and issues of concern;
- implementation of agreed actions;
- Internal Audit's performance; and
- the action taken arising from the external peer review of the service reported to the Panel in May 2014.

Whilst the quarterly continuous audit reviews of the five main financial systems have been undertaken, of the remaining 38 audits contained in the audit plan approved by Panel in June 2014, only 17 audits have been completed (45%).

The non-delivery of 21 audits is due to the 'loss' of 147 auditor days during the year. The reasons for this are as follows:

- Having an auditor post vacant from mid October 2014;
- The co-sourced arrangements being unable to cover this vacancy;
- The IT auditor not delivering the audit plan within the contract period;
- The substantial unplanned time spent on the following three areas: Chart of accounts 'consultancy' review, post-project reviews and the audit actions database.

An auditor has been recruited (with effective from 22 June 2015) and it is expected that the 2015/16 audit plan will be delivered if there are no further resourcing issues.

The Internal Audit & Risk Manager continues to report functionally to the Corporate Governance Panel and maintains organisational independence. He has had no constraints placed upon him in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

The Internal Audit & Risk Manager has undertaken a self-assessment to evaluate internal audits conformance with the PSIAS. There are no matters that need to be brought specifically to the attention of the Panel from that review or require inclusion in the annual governance statement.

Definitions of the assurance opinions are provided at Appendix D. A report that explained the terminology and definitions associated with internal audit opinions and reports was considered by Panel in January 2014.

**Recommendation:**

It is recommended that the Panel

1. consider and comment upon the report and;
2. take into account the Internal Audit & Risk Manager's opinion when considering the Annual Governance Statement for 2014/15.

## **1. WHAT IS THIS REPORT ABOUT**

- 1.1 This is the annual report of the Internal Audit & Risk Manager. It covers the period 1 April 2014 to 31 March 2015.
- 1.2 The report includes the Internal Audit & Risk Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

## **2. WHY IS THIS REPORT NECESSARY/BACKGROUND**

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require an annual report to be considered by the Panel (who fulfil the role of the Board, as defined by PSIAS).

## **3. OPTIONS CONSIDERED/ANALYSIS**

- 3.1 The PSIAS determines the matters that are required to be included in the annual report. The Accounts and Audit (England) Regulations 2011 require that at least once in each year, the Council 'must conduct a review of the effectiveness of its internal audit'. Whilst this Regulation has been superseded by the Accounts and Audit Regulations 2015, that requires that the Council 'must undertake an effective internal audit...taking into account public sector internal auditing standards or guidance'.
- 3.2 The annual opinion has improved – moving from limited to adequate assurance. The internal control environment is generally effective and whilst the annual opinion is given at a 'moment in time', nothing has subsequently arisen that would suggest that the opinion statement needs to be revised.
- 3.3 The annual report is required to contain details of the periodic assessment of the internal audit service against the PSIAS. There are no matters that need to be brought specifically to the attention of the Panel from that review or require inclusion in the annual governance statement. A separate agenda report provides more details on the review process.
- 3.4 The Internal Audit & Risk Managers annual report for 2014/15 is attached to this report.

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

- 4.1 Not applicable.

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

- 5.1 Risk register entry 166 refers to the non-delivery of the internal audit plan and agreed internal audit actions leading to a shortfall in assurance on the internal control environment and criticism by the external auditors.

5.2 Risk register entry 255 refers to the Internal Audit Service not being compliant with the PSIAS leading to the inclusion of significant non-compliance issues in the annual governance statement.

5.3 The residual risk score for both risks is low. It did not change during the year despite the problems associated with having insufficient resources available. The controls associated with both risks are reviewed regularly by the Internal Audit & Risk Manager. The Head of Resources was kept informed of the resourcing issues and how it would impact upon the delivery of the audit plan. The issues were not related to insufficient budget being available to the service.

## **6. WHAT ACTIONS WILL BE TAKEN?**

6.1 The annual report will be considered by the Panel during the preparation of the annual governance statement.

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

7.1 The Internal Audit Service provides assurance to management and the Panel that risks to the delivery of the Corporate Plan across all of its areas are understood and managed appropriately.

## **8. CONSULTATION**

8.1 Not applicable.

## **9. LEGAL IMPLICATIONS**

9.1 There are no legal implications arising from this report.

## **10. RESOURCE IMPLICATIONS**

10.1 There are no resource implications arising from this report.

## **11. OTHER IMPLICATIONS**

11.1 None.

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

12.1 The Panel is required to receive an annual report on the work of the Internal Audit Service.

## **BACKGROUND PAPERS**

Internal Audit Reports

Internal Audit Performance Management Information

## **CONTACT OFFICER**

David Harwood, Internal Audit & Risk Manager

**☎ 01480 388115**





Internal Audit Service  
Annual Report  
2014/15

## 1. INTRODUCTION

1.1 This is the annual report of the Internal Audit & Risk Manager as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2014 to 31 March 2015.

1.2 The report includes the Internal Audit & Risk Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

The opinion is based upon

- the work carried out by Internal Audit during the year; and
- the assurances provided by the external auditors.

1.3 The report also provides information on:

- the delivery of the annual audit plan;
- audit reports issued and issues of concern;
- implementation of agreed actions; and
- Internal Audit's performance.

## 2. OVERALL OPINION

### **Audit Opinion**

Based upon work undertaken and statements from external assurance providers, it is my opinion that the Council's internal control environment and systems of internal control as at 31 March 2015 provide adequate assurance over key business processes and financial systems.

**David Harwood**  
**Internal Audit & Risk Manager**

June 2015

2.1 The audit opinion has been given as at 31 March 2015 to reflect the current state of the internal control environment and systems of internal control across the Council and provide the Panel with an opinion for inclusion in the annual governance statement (AGS). If significant changes occur to the internal control environment prior to the Panel approving the AGS statement in September, the Panel will be informed.

2.2 In preparing the internal audit plan for 2014/15, Managers were asked if they were aware of any planned reviews by external organisations from which assurance could be obtained on the operation of the internal control environment and systems of internal control. With the exception of the statutory external audit of accounts/grant certification (Appendix B), no external assurances were identified for 2014/15.

## 3. DELIVERY OF THE AUDIT PLAN

3.1 The Internal Audit Plan, prepared in accordance with the PSIAS, was approved by the Corporate Management Team (CMT) and the Panel in June 2014 in respect of the year ending March 2015. (The delay to the approval of the plan from March 2014 was due to the appointment of

the new management team. The delay was agreed by the previous Panel Chairman). The approved plan consisted of 32 general reviews, six IT audits, one consultancy review and quarterly system reviews of five financial systems. Excluding the Internal Audit & Risk Manager, the plan was to be delivered by the equivalent of 1.8 full time equivalents (FTE).

- 3.2 On the 17 October 2014 an auditor was seconded to the post of Accountancy Manager for one year. Despite interviewing three candidates for the post, after advertising externally and approaching recruitment consultants no appointment was made. The IT audit partner was asked if they would be able to cover the post, but due to their own staffing issues were unable to do so. The situation was reported to the Panel in November 2014 and March 2015 along with the effect it would have on the delivery of the 2014/15 audit plan. An appointment was made to the post on 22 June 2015.
- 3.3 The seconded auditor had been undertaking a 'consultancy' review of the Chart of Accounts (the structure that underpins the financial management system). This was initially estimated as taking 10 days. The scope of the review increased and by October 2014, 31 days of the auditor's available time had been spent on this review. Taking into account this additional time and not being able to fill the vacant post for the rest of the year, there has been an overall loss of 76 audit days during the year.
- 3.4 The audit plan also included 30 days for the delivery of general audits from the Council's IT audit contractor. Due to the contractor's own recruitment and scheduling difficulties they were unable to deliver these days. Combining these days with those arising from the non-recruitment of an auditor, the available resources to deliver the audit plan across the year was only 1.4 FTE.
- 3.5 Unplanned time was spent in two areas during the year which also has affected the delivery of the audit plan:
- 25 days on assisting CMT in the post-project reviews of the Huntingdon multi-storey car park and One Leisure St Ives redevelopment.
  - 8 days on identifying and managing the issues that arose from the loss of the SharePoint audit actions database in November 2014 and the manual preparation of monthly information. (A report on this matter was presented to the June Panel meeting).

### **General audit**

- 3.6 Of the 32 reviews originally planned, only 12 reviews have been completed. This is disappointing and is due to the audit team carrying a vacancy from October 2014 and the additional unplanned time spent as listed at paragraph's 3.3, 3.4 and 3.5 above. Appendix A contains details of the status of audits as per the agreed internal audit plan.

## IT audit coverage

- 3.7 Due to the specialist nature of IT audit, it was delivered under contract by Mazars LLP. The contract ended on 31 January 2015. Five of the six planned reviews have been completed. Mazars had a number of staffing issues in the last few months of the contract which resulted in one audit not being commissioned due to the contract having ended.

## Internal Audit Reports issued

- 3.8 The audit reports issued, the assurance opinion (see Appendix D for further explanation) and number of agreed actions are listed in the table below.

| Audit area                                    |       | Level of assurance |          |         |        | Agreed action status |       |
|---|-------|--------------------|----------|---------|--------|----------------------|-------|
|   |       | Substantial        | Adequate | Limited | Little | Red                  | Amber |
| Insurance*                                    | 1315  | ✓✓                 |          |         |        | --                   | --    |
| Risk management*                              | 1316  | ✓✓                 |          |         |        | --                   | --    |
| Housing benefits*                             | 1305  | ✓✓                 |          |         |        | --                   | --    |
| Payroll: deductions                           | 1417  |                    | ✓        |         |        | --                   | --    |
| CCTV  | 1434  |                    | ✓        |         |        | 1                    | 3     |
| Loans and investments                         | 1408  |                    | ✓        |         |        | 1                    | 4     |
| Promotion of active lifestyles                | 1321  |                    | ✓        |         |        | --                   | 1     |
| Roles and duties of S151 & Monitoring Officer |       |                    | ✓        |         |        | --                   | 2     |
| Pay review amendments & redundancy            |       |                    | ✓        |         |        | --                   | 1     |
| Grants to outside bodies                      | 1308  |                    | ✓        |         |        | --                   | 2     |
| Repairs and maintenance of property*          | 1314  |                    | ✓        |         |        | --                   | 4     |
| Freedom of information                        | 1425  |                    | ✓        |         |        | --                   | 4     |
| One Leisure: Control of income                | 1408  |                    | ✓        |         |        | --                   | 6     |
| Community infrastructure levy*                | 1318  |                    | ✓        |         |        | 1                    | 1     |
| Staff Training                                | 1416  |                    |          | x       |        | 3                    | 3     |
| One Leisure: Impressions*                     | 1322  |                    |          | x       |        | 3                    | 6     |
| Commercial rents*                             | 1312  |                    |          | x       |        | --                   | 8     |
| <b>Computer Audit</b>                         |       |                    |          |         |        |                      |       |
| IT for Members                                | 14/15 |                    | ✓        |         |        |                      | 1     |
| Business continuity/disaster recovery*        |       |                    | ✓        |         |        | --                   | 3     |
| Network security                              | 14/15 |                    | ✓        |         |        |                      | 5     |
| Desktop management                            | 14/15 |                    | ✓        |         |        |                      | 1     |
| Virtualisation, network & backup* +           |       |                    | ✓        |         |        |                      | 13    |
| Service desk, change & release management     |       |                    |          | x       |        | --                   | 2     |
| E-payments*                                   |       |                    |          | x       |        | 1                    | 1     |
| Uniform application                           | 14/15 |                    |          | x       |        | 1                    | 6     |

\* Reports arising from 2013/14 audit plan

+ The virtualisation, network & backup audit contained two amber actions that were not accepted by management. They accepted the risk that had been identified.

- 3.9 In addition to the reports listed above, audit reviews have also been completed on the following areas:
- the e-recruitment process
  - separation of duties within the cashiering function
  - service delivered IT systems.

These reviews resulted in no overall assurance opinions being given due to either limited testing being undertaken or the audits changing focus and becoming more advice orientated. Suggested improvements to controls were made as appropriate.

- 3.10 The continuous auditing of key controls within main financial systems has been introduced. Summary details are shown in the table below.

| Audit area                    |  | Level of assurance |          |         |        | Agreed action status |       |
|-------------------------------|--|--------------------|----------|---------|--------|----------------------|-------|
|                               |  | Substantial        | Adequate | Limited | Little | Red                  | Amber |
| Council tax                   |  |                    | ✓        |         |        | --                   | --    |
| Non domestic rates            |  |                    | ✓        |         |        | --                   | --    |
| Main accounting system        |  |                    | ✓        |         |        | --                   | 5     |
| Accounts payable (Creditors)  |  |                    | ✓        |         |        | --                   | 2     |
| Accounts receivable (Debtors) |  |                    |          |         | xx     | --                   | --    |

- 3.11 The accounts receivable review has been given little assurance. No suggested improvements to the current controls have been made due to the Head of Resources undertaking a comprehensive and fundamental review of the systems and procedures in place. This will introduce a number of changes to the control environment which should resolve the weaknesses that have been identified.

- 3.12 Internal audit have also undertaken significant work in a number of other areas. These include:
- Supporting the Managing Director in preparing the project close down report on the Huntingdon multi-storey car park and One Leisure St Ives redevelopment
  - Undertaking a 'consultancy' review of the Chart of Accounts
  - Advising One Leisure on new procedures to support the introduction of the central administration team and the introduction of telephone payments
  - Responding to whistleblowing allegations
  - Auditing the Alconbury Building Foundations for Growth Capital Grant on behalf of the DCLG
  - Supporting the Panel in the annual governance review, the preparation of the annual governance statement and its annual report
  - Compliance with the Code of Procurement
  - Assurance mapping
  - Writing the Employee Code of Conduct

- Reviewing the effectiveness of the Licensing Panel
- Advising the Social Media User Group and developing policy
- Undertaking a three month trial of 'continuous management' software to identify in real time potential errors, mistakes or fraud in the processing of creditor payments
- Attending seventeen quotation openings
- Undertaking two 'staff' investigations.

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

#### **4. ISSUES OF SPECIFIC CONCERN**

##### **E-recruitment**

- 4.1 The Council have been using the Local Government Shared Services (LGSS) e-recruitment software since December 2013. This has placed responsibility for undertaking the full recruitment process onto managers with limited assistance from LGSS. A review was initially conducted in May 2014 but had to be curtailed due to the auditors having no 'read only' access to the software and only been able to undertake cursory checks on the recruitment process that managers were required to follow.
- 4.2 A further review was completed in March 2015. Internal audit still did not have full 'read only' access so were only able to undertake a limited amount of testing and had to rely on gathering evidence from discussions with recruiting managers and successful applicants. More than 20 issues were identified covering both the recruitment process itself and the e-recruitment software. LGSS internal audit have been contacted and asked what work they have carried out on the e-recruitment system. No reply has been received. Since no assurance has been received from LGSS themselves that the system is working as intended, and without sufficient testing evidence, it was not possible to issue an opinion on the effectiveness of the e-recruitment system.

#### **5 LOW GRADED AUDITS FROM PREVIOUS YEARS**

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

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

| Original level assurance | Agreed Action Status |       | Audit area and follow-up findings  | 'Potential' level of assurance |
|--------------------------|----------------------|-------|--|--------------------------------|
|                          | Red                  | Amber |  |                                |
| <b>2012-13</b>           |                      |       |  |                                |
| Limited                  | 2                    | 0     | <b>Post-implementation reviews</b><br>The Overview and Scrutiny Panel (Economic Well-Being) have reviewed two post-project review reports. Revised project management guidance requires regular post-project reporting to Members.   | Adequate                       |
| Limited                  | 1                    | 4     | <b>Contract management</b><br>3 of the 5 actions remained outstanding at March 2014. A new electronic contract register has been introduced which dealt with the outstanding actions.  | Adequate                       |
| <b>2013-14</b>           |                      |       |  |                                |
| Limited                  | 0                    | 2     | <b>Employment taxation</b><br>The 'Team HDC' membership scheme for One Leisure has been launched to address benefit in kind implications for staff use of the One Leisure facilities. Guidance has been issued to staff on how to decide if a consultant should be classified as an employee (rather than self-employed) under Inland Revenue rules. | Adequate                       |
| Limited                  | 0                    | 4     | <b>Income generation and grant income</b><br>The actions required changes to the Code of Financial Management to make clear the need to seek external funds and improvements to the sharing of information on grant bids. The actions have been introduced.  | Adequate                       |
| Limited                  | 0                    | 8     | <b>Commercial rents and estate management</b><br>Two actions remain outstanding. These were reported to the Panel at its June meeting. The majority of the actions related to the updating of day-to-day operational procedures. These have been introduced.   | Adequate                       |
| Limited                  | 1                    | 1     | <b>Internet use monitoring</b><br>Regular reports on staff's use of the internet are now circulated to managers.   | Adequate                       |

| Original level assurance | Agreed Action Status |       | Audit area and follow-up findings  | 'Potential' level of assurance |
|--------------------------|----------------------|-------|--|--------------------------------|
|                          | Red                  | Amber |  |                                |
| Limited                  | 3                    | 5     | <b>One Leisure – Café Zest</b><br>Of the three red actions, one has been introduced (financial and qualitative targets), one deferred until it is considered as part of the 2015/16 Facing the Future review (preparation of a formal business plan/strategy for the Café Zest brand) and one not introduced (clear reporting structure, meetings (both from management and cross site) improved communications and team working). | Limited                        |
| Limited                  | 4                    | 4     | <b>Information Management</b><br>All the actions have been introduced.   | Adequate                       |
| Little                   | 7                    | 3     | <b>Social Media</b><br>All the actions have been introduced.   | Adequate                       |

## 6. IMPLEMENTATION OF AGREED ACTIONS

- 6.1 Since November 2014 the Panel has received reports that detail the percentage of agreed internal audit actions introduced on time.
- 6.2 CMT have set a target of 100% of agreed actions to be implemented on time, based on a rolling 12 month timeframe. Due to issues with the internal audit SharePoint site, this information was not prepared for the 31 March 2015 although information had been prepared for previous and future months. The 100% target was not achieved at the 31 March.
- 6.3 As reported to the June 2015 Panel meeting, the problems encountered with the SharePoint site have also lead to the loss of some of the written evidence retained on follow-up reviews completed during the year and the decision taken as to whether or not an action that has been introduced is sufficient. SharePoint site issues are continuing and an alternative solution is being investigated.

## 7. INTERNAL AUDIT PERFORMANCE

- 7.1 The PSIAS require that an on-going quality assessment and improvement programme is maintained. The programme requires that periodic assessment against the PSIAS are undertaken.
- 7.2 A self-assessment review has been completed and the outcomes of that review are reported elsewhere on the agenda. No issues have been identified during the review that would suggest that the internal audit service is not complying with the PSIAS.
- 7.3 Details of Internal Audit's performance against its own internal performance targets are available at Appendix C.



**Appendices**

- A. Status of audits as per the audit plan agreed
- B. External assurance received
- C. Internal audit performance
- D. Definitions used in the report

David Harwood  
Internal Audit & Risk Manager  
Huntingdonshire DC

**Status of audits as per the audit plan agreed  
by Panel in June 2014.**

**Audits completed**

Loans/investments  
 CCTV  
 Staff Training & Development  
 One Leisure  
 Service developed ICT systems  
 Freedom of Information  
 Payroll: deductions  
 Grants to Outside Bodies  
 Payroll amendments from job evaluation scheme  
 S151 & Monitoring Officer  
 Promotion of active lifestyles  
 Cashiering function  
 Chart of Accounts (consultancy review)  
 e-recruitment (new audit added)

IT audit : Network Security  
           Service Desk  
           IT for Members  
           Desktop Management  
           Uniform Application

Quarterly key control reviews of financial systems:

    Main accounting system  
     Creditors (accounts payable)  
     Debtors (accounts receivable)  
     Council tax  
     Non domestic rates

**Audits not undertaken**

|  |                                       |
|--|---------------------------------------|
| Housing Benefits                               | Staff Allowances                      |
| Data Protection                                | S106 Agreements                       |
| Making Assets Count                            | Licences                              |
| Out-sourced - IT Services                      | Car Parks                             |
| Out-Sourced - Legal Services                   | Email review - non work/private use   |
| Housing policy/strategy                        | Delivery of Corporate Plan Objectives |
| Management of Health & Safety                  | Refuse & Kerbside Waste Collection    |
| Bailiffs & Debt Collection Agencies            | Economic Development                  |
| Budgetary control and monitoring               | Payment of election fees              |
| Personnel - casual & temporary employees       |                                       |
| Monitoring of Recruitment to 'High Risk' Posts |                                       |
| IT audit : One Leisure Website                 |                                       |

## External Assurance Received

| Date          | Report from                                  | Area covered                       | Assessment  |
|---------------|--|------------------------------------|---|
| November 2014 | External Auditor<br>(PricewaterhouseCoopers) | Annual Audit Letter 2013/14        | Unqualified accounts.<br>Unqualified value for money opinion.                         |
| March 2015    |  | Grant Certification Report 2013/14 | One grant certified:<br>BEN01 Housing and Council Tax Benefit<br>Subsidy - qualified. |

## Internal Audit Performance

### Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.

Achieved: 12 months to March 2015 – 89% (from 9 responses).

At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – very good, good, acceptable, requires improvements or unacceptable.

### Service delivery targets

Target: The service delivery targets are achieved.

There are four elements to this target which all relate to the progress of individual audits and the reporting process. It is the intention to keep the same targets for 2015/16. They are both challenging and achievable with managers co-operation.

|   | Target | Achieved |      | Notes   |
|---|--------|----------|------|---|
|   |        | March    |      |   |
|   |        | 2014     | 2015 |   |
| a) Complete audit fieldwork by the date stated on the audit brief.  | 75%    | 60%      | 46%  | The average delay is 16 days. (min 2 – max 54 days)                                     |
| b) Issue draft audit reports within 15 working days of completing fieldwork.  | 90%    | 70%      | 87%  | Two audits missed the target. Both due to difficulties in arranging 'wash-up' meetings. |
| c) Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report. | 75%    | 95%      | 87%  |   |
| d) Issue final audit report within 5 working days of receiving full response.   | 90%    | 85%      | 92%  |   |

## Definitions used in the Report

### Assurance definitions: for information

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

### Internal control environment

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its

**Definitions used in the Report**

functions are exercised, having regard to a combination of economy, efficiency and effectiveness

- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management

**System of internal control**

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

|                             |   |
|-----------------------------|---|
| <b>Title:</b>               | Internal Audit Service: Annual Effectiveness and Charter Review |
| <b>Meeting/Date:</b>        | Corporate Governance Panel – 15 July 2015                       |
| <b>Executive Portfolio:</b> | Resources: Councillor J A Gray                                  |
| <b>Report by:</b>           | Internal Audit & Risk Manager                                   |
| <b>Ward(s) affected:</b>    | All Wards   |

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### **Executive Summary**

The Public Sector Internal Audit Standards (PSIAS) require that the Internal Audit Service has in place a Quality Assurance and Improvement Programme (QAIP) and an Audit Charter.

### **Quality Assurance and Improvement Programme**

Quality is required to be assessed at both the individual audit level as well as at a broader internal audit activity level. The QAIP should ensure that quality is built in to, rather than on to, the way the internal audit activity operates. The Internal Audit & Risk Manager is required to develop a QAIP that includes both internal and external assessments.

This report outlines the findings of the Internal Audit & Risk Managers self-assessment against the PSIAS and updates the Panel on progress that has been made to introduce the agreed actions arising from the 2014 external assessment of the service.

There are no issues from the self-assessment that impacts the overall scope or operation of the Internal Audit Service or require including within the 2014/15 annual governance statement. There are some areas where improvements can be made and an action plan has been prepared, which is attached to the report.

### **Audit Charter**

The Audit Charter defines the purpose, authority and responsibility of internal audit. Due to a number of legislative and organisational changes, a number of changes are required to the Charter to ensure that it remains relevant and up to date.

## **Recommendations**

It is recommended that the Panel:

- a. note that the outcome of the Internal Audit & Risk Manager's self-assessment which shows that the Internal Audit Service conforms with the PSIAS;
- b. note the results of the action plans (Appendix A and B) that have been prepared to address the areas of non-conformance identified;
- c. confirm that the non-conformance issues (within Appendix B) are not significant enough to be considered for inclusion in the Annual Governance Statement; and
- d. Agree the changes to the Internal Audit Charter (Appendix C).



## **1. WHAT IS THIS REPORT ABOUT**

- 1.1 This report details the outcome of the review of the effectiveness of the Internal Audit Service and the Internal Audit Charter.

## **2. WHY IS THIS REPORT NECESSARY/BACKGROUND**

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Internal Audit & Risk Manager maintains a quality assurance and improvement programme (QAIP). The QAIP consists of two types of assessment:

1. Internal assessments, which cover the following areas:

- a. Establishing policies and procedures to guide auditors in performing their duties.
- b. Maintaining on-going supervision and review of audit work including the review and approval of all draft and final reports.
- c. On-going performance monitoring including feedback from auditee surveys.
- d. Periodic assessment against the PSIAS (designed to assess conformance with the Internal Audit Charter and the PSIAS and the efficiency and effectiveness of the service).

2. External assessments.

- a. An external assessment has to be carried out at least once every five years, either a 'full' external assessment or by undertaking a self-assessment with 'independent validation'.

- 2.2 This report details the results of the Internal Audit & Risk Managers assessment (1.d above) and the results of the action plan arising from the external 'independent validation' of Internal Audit that was reported to the Panel in May 2014.

- 2.3 The Internal Audit Charter is reviewed periodically by the Internal Audit & Risk Manager. There are a number of changes necessary to reflect legislative changes and the introduction of operational shared services (IT, building control and legal).

## **3. OPTIONS CONSIDERED/ANALYSIS**

### **Review of Internal Audit effectiveness**

- 3.1 The PSIAS consist of four Attribute Standards and seven Performance Standards.

The Attribute Standards are those that apply to organisations as well as to individual internal auditors.

The Performance Standards are those that not only describe the nature of the internal audit services being provided, but also provide criteria against which the performance of an internal audit function can be measured.

| <i>PSIAS</i>          | <i>Description</i>   |
|-----------------------|--|
| <b>Code of Ethics</b> | <b><i>Integrity, objectivity, confidentiality &amp; competency</i></b> |

| <i>Attribute Standard</i> | <i>Description</i>  |
|---------------------------|---|
| <b>1000</b>               | <b><i>Purpose, authority &amp; responsibility</i></b>       |
| <b>1100</b>               | <b><i>Independence &amp; objectivity</i></b>                |
| <b>1200</b>               | <b><i>Proficiency &amp; due professional care</i></b>       |
| <b>1300</b>               | <b><i>Quality assurance &amp; improvement programme</i></b> |

| <i>Performance Standard</i> | <i>Description</i>                                  |
|-----------------------------|---|
| <b>2000</b>                 | <b><i>Managing the Internal Audit activity</i></b>  |
| <b>2100</b>                 | <b><i>Nature of work</i></b>                        |
| <b>2200</b>                 | <b><i>Engagement planning</i></b>                   |
| <b>2300</b>                 | <b><i>Performing the engagement</i></b>             |
| <b>2400</b>                 | <b><i>Communicating results</i></b>                 |
| <b>2500</b>                 | <b><i>Monitoring progress</i></b>                   |
| <b>2600</b>                 | <b><i>Communication the acceptance of risks</i></b> |

- 3.2 A self-assessment review has been conducted by the Internal Audit & Risk Manager against 'proper practice', which consists of the PSIAS and its accompanying Application Note. The Application Note contains a detailed and lengthy checklist of over 200 questions.
- 3.3 The Internal Audit & Risk Manager is of the opinion that the Internal Audit Service is acting effectively and conforms with the PSIAS. This also reflects the view of the external assessment conducted in 2014.
- 3.4 There is always the opportunity for improvement. An update on the action plan agreed following the 2014 review is included at Appendix A whilst Appendix B contains an action plan arising from the 2015 review.
- 3.5 There are no issues, either individually or collectively, that require to be included in the annual governance statement.
- 3.6 The results of the QAIP are required to be included in the Internal Audit annual report.

#### **Review of the Internal Audit Charter**

- 3.7 PSIAS Attribute Standard 1000 states that "the purpose, authority and responsibility of the internal audit activity should be formally defined in a charter, consistent with the Standards and approved by the Board".
- 3.8 Due to a number of legislative and organisational changes, a number of changes are required to the Charter. The following significant changes are being proposed within the following three sections. The revised Charter is attached at Appendix C.

## **Relationship with Members & Senior Management**

Update to reflect the changes introduced by the Accounts & Audit (England) Regulations 2015 (A&AR). They require that the Council “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

## **Role and responsibilities**

With the introduction of the strategic shared service partnership with Cambridge City Council and South Cambridgeshire District Council there becomes the need to liaise with each Council’s internal audit service and agree the type and nature of assurance that will be provided by the lead authority for a particular shared service. A new paragraph has been introduced within this section to deal with this matter.

## **Quality and assurance programme**

The 2015 A&AR have removed the previous requirement (contained in the 2011 A&AR (Sect 6(3)) that the Council conducts an annual review of the effectiveness of its internal audit.

Changes to the Charter reflect the 2015 A&AR. Internal assessments will be conducted periodically and external assessments at least once every five years.

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

4.1 Not applicable.

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

5.1 Risk register entry 255 refers to the Internal Audit Service being non-compliant with PSIAS and so requires the inclusion of significant non-compliance issues in the annual governance statement

5.2 The residual risk score for the risk is low which is supported by the outcome of the self-assessment.

## **6. WHAT ACTIONS WILL BE TAKEN?**

6.1 The action taken to address the issues arising from the self-assessment review will be reported to the Panel with both the interim progress report and as part of the annual audit report for 2015/16.

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

7.1 The Internal Audit Service provides assurance to management and the Panel that risks to the delivery of the Corporate Plan across all of its areas are understood and managed appropriately.

## **8. CONSULTATION**

8.1 Not applicable.

## **9. LEGAL IMPLICATIONS**

9.1 There are no legal implications arising from this report.

## **10. RESOURCE IMPLICATIONS**

10.1 There are no resource implications arising from this report.

## **11. OTHER IMPLICATIONS**

11.1 None.

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

12.1 The PSIAS require that the Panel receive information on the outcome of the periodic internal assessment of the internal audit service and approve the internal Audit Charter.

## **BACKGROUND PAPERS**

PSIAS self-assessment

## **CONTACT OFFICER**

David Harwood, Internal Audit & Risk Manager

**☎ 01480 388115**

**Improvement Plan agreed following the 2014 external assessment  
of the Internal Audit Service.**

| Areas for Improvement  | Action taken  | Actioned |
|--|---|----------|
| The exercise of the Panel's right to hold to account Officers who fail to implement, fully and on a timely basis, agreed audit recommendations                             | Officers attended the June 2015 Panel meeting.<br>There is a standing item included on the Panel's agenda that requires the Internal Audit & Risk Manager to report on the progress with the introduction of agreed internal audit actions. | Yes      |
| Making arrangements that allow the Panel – or the Chairman exercising delegated authority – to approve or disapprove proposed changes to the approved Internal Audit Plan. | The internal audit plan is reviewed quarterly. The Chairman of the Panel is informed of changes to the plan.  | Yes      |

## 2015 Improvement Plan

| PSIAS Ref.   | Requirement  | Issue identified  | Non-conformance |    | To be actioned by                           |
|--|--|---|-----------------|----|---|
|  |  |   | AGS issue?      |    |   |
|  |  |   | Yes             | No |   |
| Attribute Standard 1000: Purpose, Authority and Responsibility |  |   |                 |    |   |
| 1110   | Does the Managing Director undertake, countersign, contribute feedback to or review the performance appraisal of the Internal Audit Manager? | The Managing Director has been asked to contribute feedback to the Internal Audit & Risk Managers 2015 appraisal.   |                 | No | July 2015                                   |
| 1110   | Is feedback sought from the chair of the Corporate Governance Panel (CGP) for the Internal Audit Manager's performance appraisal?            | The Chairman of CGP for the 2014/15 municipal year stood down as a Councillor in May 2015. This was prior to the annual appraisal process commencing. The current Chairman will be asked to contribute to the 2015/16 appraisal review.   |                 | No | May 2016                                    |
| 1130   | Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?      | With the introduction of 'continuous auditing' in Sept 2012, auditors are allocated a number of key financial areas to review. Whilst rotation of audits did occur from July 2015, an auditor vacancy in October 2015 meant that the audits had to be re-assigned back to the previous auditor. |                 | No | Audits will be re-assigned from April 2016. |
| Attribute Standard 1200: Proficiency and Due Professional Care |  |   |                 |    |   |
| 1130   | Do internal auditors have sufficient knowledge of key information technology risks and controls?   | The contract for the provision of IT audit services ended in January 2015. A new contract is required.  |                 | No | October 2015                                |

## 2015 Improvement Plan

| PSIAS Ref.  | Requirement   | Issue identified  | Non-conformance |    | To be actioned by               |
|---|---|---|-----------------|----|---------------------------------|
|   |   |   | AGS issue?      |    |                                 |
|   |   |   | Yes             | No |                                 |
| Attribute Standard 2000: Managing the Internal Audit Activity |   |   |                 |    |                                 |
| 2010  | Does the risk-based plan take into account the Council's assurance framework?   | The Council has in place an effective risk register and controls assurance framework. An assurance framework is being developed.  |                 | No | Mar 2016                        |
| 2040  | Has the Internal Audit Manager established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?              | The audit manual outlines the procedures to be followed. It needs to be updated to reflect the changes brought about by the PSIAS. New Auditing Standards are to be issued in July 2015 and it is likely that these will result in further changes to the PSIAS and the audit manual.                             |                 | No | On-going                        |
|   | Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?   | The policies and procedures need to be updated on a more regular basis.   |                 |    | By March 2016 and then on-going |
| 2050  | Has the Internal Audit Manager carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance? | Sources of assurance other than from internal audit are included in the internal audit annual report. CGP agreed to undertake assurance mapping to assist with the annual governance process. It is anticipated assurance mapping will be used as part in preparation of the 2014/15 annual governance statement. |                 | No | September 2015                  |

## 2015 Improvement Plan

| PSIAS Ref.                               | Requirement   | Issue identified  | Non-conformance |    | To be actioned by |
|--|---|---|-----------------|----|-------------------|
|  |   |   | AGS issue?      |    |                   |
|  |   |   | Yes             | No |                   |
| Attribute Standard 2100 : Nature of Work |   |   |                 |    |                   |
| 2120                                     | Has the internal audit activity evaluated the potential for fraud and also how the Council itself manages fraud risk? | <p>This requirement is not the responsibility of the Internal Audit Service.</p> <p>There has been a significant change to the Council's fraud team. A revised counter fraud strategy was approved by CGP in June 2015. This will require a formal action plan to be prepared for identifying and evaluating the potential for fraud. This is being led by the fraud team. Internal audit will be involved with that process.</p> |                 | No | Autumn 2015       |





Internal Audit Charter

The Internal Audit Service has been established by the Council as a key component of its governance framework. This Charter provides a framework for the conduct of Internal Audit in Huntingdonshire District Council and has been approved by the Council's Corporate Governance Panel.

**The key provisions of this Charter are set out below.**

**Internal Audit Service**

The Council's internal audit service is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**Independence & Objectivity**

The internal audit service will remain free from interference by any element in the Council and its scope shall not be restricted in anyway. It shall be free to review the arrangements of any aspect of service delivery, finance or governance irrespective of whether those arrangements are provided directly or indirectly (via partnerships, contractually or any other business arrangement).

The objectivity, impartiality, integrity and conduct of all Internal Audit staff must be above reproach at all times.

**Authority**

Internal auditors are authorised to have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Internal Audit & Risk Manager considers necessary to enable the Internal Audit Service to meet its responsibilities. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.

**Confidentiality**

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for the conduct of internal audit activities. The Internal Audit & Risk Manager and individual audit staff (including contractors and external service providers performing work on behalf of internal audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

**Reporting**

The Internal Audit & Risk Manager shall submit to the Corporate Governance Panel, no later than the date at which the Council's annual governance statement is approved, an annual report and formal audit opinion.

## **Purpose of Internal Audit**

The internal audit service has been established to:

- provide independent, objective assurance to the Council on its operations
- add value, by assisting management improve the delivery of the Council's objectives and operations through evaluating and challenging the effectiveness of risk management, control and governance processes.

## **Professionalism**

The internal audit service will govern itself by adhering to the Public Sector Internal Audit Standards (PSIAS)<sup>1</sup> as required by the Accounts and Audit (England) Regulations 2015.

Supplementary guidance issued and endorsed by the Relevant Internal Audit Standard Setters as applying to local government will also be adhered to along with the Council's relevant policies and procedures and the internal audit manual.

Non-conformance with the PSIAS shall be reported to senior management and the Corporate Governance Panel.

## **Relationship with Members & Senior Management**

### **Corporate Governance Panel**

The Accounts & Audit (England) Regulations 2015 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 auditing standards or guidance”.

The Council has established a Corporate Governance Panel<sup>2</sup> (Panel) and specifically delegated to it responsibility for ‘ensuring there are effective arrangements for the system of internal audit of the Council.’ The internal audit service shall report functionally to the Panel.

The Internal Audit & Risk Manager shall have:

- free and unrestricted access to the Panel and attend all of its meetings
- the right to meet with the Chairman of the Corporate Governance Panel and/or the relevant Portfolio Holder to discuss any matters or concerns that have arisen from internal audit work.

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<sup>1</sup> The PSIAS are based upon The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.

<sup>2</sup> The Corporate Governance Panel shall fulfil the role of the Board as determined by the Public Sector Internal Audit Standards.

## **Senior Management**

The Managing Director and the Corporate Director (Services) and the Corporate Director (Delivery) together with the Head of Resources<sup>3</sup> shall fulfil the role of senior management as defined by the PSIAS.

The Head of Resources shall support the Panel by ensuring that there are effective arrangements<sup>4</sup> for the internal audit of the control environment.

The Internal Audit & Risk Manager shall:

- report administratively to the Head of Resources; and
- have free and unrestricted access to senior management.

## **Independence & Objectivity**

Independence is essential to the effectiveness of the internal audit service; so it will remain free from interference in all regards. This shall include, but not be limited to matters of audit selection, scope, procedure, frequency, timing or report content.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Internal Audit & Risk Manager will confirm to the Corporate Governance Panel annually, the organisational independence of the internal audit service.

The Internal Audit & Risk Manager is responsible for the delivery of the Internal Audit, Insurance and Risk Management services. All three areas have a key part to play in mitigating the risks facing the Council. Responsibility for these operational areas is recognised by senior management and the Panel.

With the exception of insurance and risk management, internal audit staff will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

## **Authority & Confidentiality**

Internal auditors shall have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Internal Audit & Risk Manager considers necessary to enable the Internal Audit Service to meet its responsibilities. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. The Internal Audit & Risk Manager and individual audit staff (including contractors and external service providers performing work on behalf of internal audit) are responsible and accountable for

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<sup>3</sup> Fulfilling the duties of Section 151 of the 1972 Local Government Act

<sup>4</sup> As outlined in the Cipfa publication "The Role of the CFO in public sector organisations".

maintaining the confidentiality of the information they receive during the course of their work.

## Internal Audit Management

The Council shall appoint an Internal Audit & Risk Manager who shall determine the priorities of, effectively manage and deliver the internal audit service in accordance with this Charter.

The Internal Audit & Risk Manager shall:

- ensure they have a comprehensive understanding of the Council's systems, structures and operations so allowing the preparation of strategic and annual risk based audit plans that are closely aligned to the need to provide assurance against the Council's business objectives as contained within its themes and aims, principal risks and framework of assurance.
- review and adjust the plans as necessary, in response to changes in the Council's risks, operations, programs, systems and controls.
- report annually the impact and consequence of any resource limitations across the strategic plan period to the Panel, who will then recommend to Cabinet whether or not to accept the consequence identified or seek an increase in Internal Audit's resources.
- maintain a quality assurance and improvement programme to ensure that all audit work is completed to high standards and in accordance with the standards, practices and procedures as set out in the internal audit manual .
- undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided.
- put in place arrangements that ensure internal audit is notified of all suspected or detected instances of non-welfare fraud, corruption or impropriety and in conjunction with the Corporate Fraud Team Leader:
  - promote a counter-fraud culture within the Authority
  - determine the most appropriate method of investigating allegations.
- establish effective relationships with managers at all levels.

## Role and responsibilities

Internal audit reviews shall examine and evaluate the adequacy and effectiveness of the Council's governance, risk management, and internal control processes. This shall be achieved via:

**Assurance activities:** *results of which will influence the opinion on the adequacy and effectiveness of the control environment.*

**Risk based system audit reviews.** The documentation, evaluation and testing of financial, operational and management information systems.

**Information technology reviews.** Specialist evaluation of hardware, software and the IT environment.

**Fundamental financial systems.** Reviews focusing on agreed key controls.

**Performance improvement.** The economy, efficiency and effectiveness of business systems and processes.

**Advisory activities:** *results of which will contribute to the opinion on the adequacy and effectiveness of the control environment.*

**Systems & processes.** Control advice on new and developing systems.

**Consulting services.** Reviews at the request of management, that add value and improve governance, risk management and control processes and support management in their work.

### **Shared services:**

Where the Council provides 'shared services' to, or receives 'shared services' from other organisations, the Internal Audit & Risk Manager shall liaise with the other organisations Internal Audit Service and agree the scope of the assurance that is to be provided or received and take account of that requirement when preparing the annual audit plan.

## **Reporting and Monitoring**

### **Internal Audit Reports**

At the conclusion of a review, a written report will be issued to the appropriate manager, that will

- include an overall assurance opinion, but not provide absolute assurance, on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail management's response and timescale for corrective action;
- identify issues of good practice

When corrective action has not been agreed, reporting will be escalated to a level consistent with the Internal Audit & Risk Manager's assessment of the risk.

The Internal Audit & Risk Manager shall regularly review and report to senior management, the progress made by managers in introducing the agreed corrective actions. Senior Management shall ensure that agreed corrective actions are introduced.

### **Reporting to the Panel**

The Internal Audit & Risk Manager shall present an annual and interim report to the Panel that meets the requirements of the PSIAS. The annual report shall be timed to support the Council's annual statement of assurance on corporate governance and include an opinion on the overall adequacy and effectiveness of the control environment.

### **Quality and assurance programme**

The Internal Audit and Risk Manager shall maintain a quality assurance and improvement programme that meets the requirements of the PSIAS. The results shall be reported to senior management and the Panel.

The Internal Audit & Risk Manager will arrange for an independent review of the efficiency and effectiveness of the internal audit service to be undertaken at least once every five years. The results of the review will be reported to senior management and the Panel.

Improvement plans arising from periodic reviews of internal audit shall be prepared as appropriate, and reported to senior management and the Panel in the Internal Audit annual report.

### **Relationships with external audit and other assurance activities**

Internal Audit will establish and maintain an open relationship with the external auditor and any other assurance provider. Internal audit will plan its activity so that there is adequacy of audit coverage and to minimise duplication of assurance effort.

External audit will have full and free access to all internal audit strategies, plans, working papers and reports.

### **Review of the Charter**

The Internal Audit & Risk Manager will review annually the Internal Audit Charter and report the outcome of that review to the Senior Management. Approval of the Charter shall be the responsibility of the Panel. This version was approved on the 15 July 2015.

End

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Public  
Key Decision – No

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Work Programme & Training  
**Meeting/Date:** Corporate Governance Panel – 15 July 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 programme of work of the Panel for the next year is shown at Appendix 1. This is based upon the Panel's current terms of reference and the need for Panel to obtain assurance over the Council's governance arrangements prior to them approving the annual governance statement.

A training programme for the Panel was agreed at the June meeting (Appendix 2). It is proposed that training will be provided on the final accounts process prior to the September meeting. This will be a joint training session with Overview and Scrutiny (Economic) Panel.

Training in December will consider the regulatory and compliance framework across the Council.

### **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 the programme of work and the training that is proposed.

### **Background papers**

None

### **Contact Officer**

David Harwood. Internal Audit & Risk Manager  
Tel No. 01480 388115

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## Anticipated Programme of Work

### September 2015

Annual effectiveness review of the Panel and annual report to Council  
 Approval of the statement of accounts  
 Approval of the 2014/15 annual governance statement  
 External audit – ISA 260 report  
 Implementation of agreed audit actions  
 Risk management

### 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  
 Programme of anti-fraud & corruption work.

### 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 charter  
 External audit: audit plan and grant claims  
 Risk management  
 Progress on issues raised in the 2014/15 annual governance statement  
 Preparing the 2015/16 annual governance statement  
 Implementation of agreed audit actions

### June 2016

Annual effectiveness review of the Panel and annual report to Council  
 Corporate fraud team investigation activity  
 Whistleblowing : policy review & concerns received  
 Implementation of agreed audit actions

### July 2016

Review of the internal audit service and charter  
 Internal audit annual report & opinion  
 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   |  |

## Training Programme

### Induction training to cover:

- Legislative requirements
- Roles and responsibilities of Panel members and terms of reference
- Annual governance statement process
- Panel's terms of reference
- Annual work programme
  - Counter fraud
  - Internal/external audit
  - Risk management
  - Financial statements
- Evaluation of Panel's own effectiveness and annual report to Council

### Training across themes/areas

- |   |   |
|---|---|
| Code of Corporate Governance  | <ul style="list-style-type: none"> <li>• 6 principles</li> <li>• Governance boards</li> <li>• The annual governance statement process</li> </ul>  |
| Regulatory & compliance framework   | <ul style="list-style-type: none"> <li>• Data protection</li> <li>• Freedom of Information</li> <li>• Regulation of Investigatory Powers</li> <li>• Information security</li> </ul>   |
| Risk management   | <ul style="list-style-type: none"> <li>• Risk strategy</li> <li>• Risk identification, evaluation and control</li> <li>• Differing member roles</li> <li>• Timely indicators of things going wrong</li> <li>• Shared service/partnership/project risk management</li> </ul> |
| Internal audit  | <ul style="list-style-type: none"> <li>• Internal audit charter</li> <li>• Professional standards</li> <li>• The audit process</li> <li>• Annual opinion and report</li> </ul>  |
| External audit  | <ul style="list-style-type: none"> <li>• Appointment</li> <li>• Work plan</li> <li>• Statutory reporting</li> <li>• Certification of grant claims</li> </ul>  |
| Final accounts<br><i>(joint training session with<br/>Overview &amp; Scrutiny<br/>(Economic))</i> | <ul style="list-style-type: none"> <li>• Understanding the Council's financial statements</li> <li>• Accounting standards</li> <li>• Accounting policies</li> <li>• Accuracy of budgeting and in-year forecasting.</li> </ul>   |
| Fraud & corruption  | <ul style="list-style-type: none"> <li>• Whistleblowing – process and reporting</li> <li>• Publicity</li> <li>• Fraud &amp; corruption strategy and action plan</li> <li>• Corporate fraud team / fraud hub</li> </ul>  |