

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **CIVIC SUITE, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 2 DECEMBER 2015** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 5 - 14)

To approve as a correct record the Minutes of the meeting held on 16th September 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 15 - 16)

To receive the Corporate Governance Panel Progress Report.

**M Sage
388169**

4. CORPORATE FRAUD WORKPLAN AND PROSECUTION POLICY
(Pages 17 - 32)

To consider a report on the Workplan for the Corporate Fraud Team following the transfer of Housing Benefit fraud investigations to the Department for Work and Pensions and the Council's revised Fraud Prosecution Policy.

**A Burns
388122**

5. OVERVIEW AND SCRUTINY PANEL STRUCTURE: CHANGES TO THE CONSTITUTION (Pages 33 - 40)

To consider and recommend to Council changes to the Council's Constitution regarding the structure of the Council's Overview and Scrutiny Panels.

**D Buckridge
388065**

6. EXTERNAL AUDIT ANNUAL AUDIT LETTER 2014/15 (Pages 41 - 56)

To receive a report on the Annual Audit Letter 2014/15 issued by the External Auditor.

**C Mason
388157
R Maxwell
388117**

7. INTERNAL AUDIT SERVICE: INTERIM PROGRESS REPORT
(Pages 57 - 66)

To consider a report on the work completed by the Internal Audit Service during the period April to October 2015 and associated performance issues.

D Harwood
388115

8. IMPLEMENTATION OF AUDIT ACTIONS (Pages 67 - 72)

To consider a report providing performance information regarding the implementation of internal audit actions for the year ending 31st October 2015.

D Harwood
388115

9. WORK PROGRAMME AND TRAINING (Pages 73 - 76)

To consider a report regarding the Panel's Work Programme and to decide training the Panel would like in preparation for the next or future agendas.

D Harwood
388115

Dated this 24 day of November 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

The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link [filming, photography and recording at council meetings.pdf](#) or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.

Please contact Mrs Melanie Sage, Democratic Services Team, Tel No. 01480 388169/ e-mail Melanie.Sage@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

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

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

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

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

Emergency Procedure

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

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 16 September 2015.

PRESENT: Councillor M Francis – Chairman.
Councillors T D Alban, E R Butler and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors Mrs P A Jordan and Mrs D C Reynolds.

23. MINUTES

The minutes of the meeting held on 16th September 2015 were approved as a correct record and signed by the Chairman.

24. MEMBERS' INTERESTS

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

25. 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.

Having considered the report the Panel agreed to the deletion of those items indicated as being removed from future reports.

A Panel Member expressed that they were keen for a new Fraud Working Group to be re-established in the near future as in the past this Group had been beneficial.

26. APPROVAL FOR PUBLICATION OF THE 2014/2015 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT

Consideration was given to a report by the Head of Resources (a copy of which is appended in the Minute Book) which sought approval in principal for the publication of the Council's Annual Governance Statement, Annual Financial Report and Letter of Representation.

The Annual Governance Statement (AGS) and Annual Financial Report (AFR) were documents required by statute and had to be approved and published by the 30th September.

In the absence of the Head of Resources, the Panel were apprised by the Accountancy Manager of the process required to be undertaken prior to the approval and publication of the 2014/15 final accounts.

As a consequence of the Corporate Governance Panel meeting being held a week earlier than in previous years, the final validation checks by the External Auditors of both the AGS and the AFR were incomplete. Therefore the Panel were requested to approve in principal both the AGS and the AFR, as well as the Letter of Representation, and following confirmation by the External Auditor that both documents were unqualified, delegate authority to the:

- Executive Leader and the Managing Director to sign the AGS;
- Head of Resources to sign the Letter of Representation; and
- Corporate Governance Panel Chairman to sign the AFR.

Mr Clive Everest and Mr Chris Wlaznik, the Council's External Auditors from PricewaterhouseCoopers LLP (PwC) were in attendance at the meeting and presented their draft ISA 260 report to the Panel. It was noted that the areas where matters remained outstanding were highlighted throughout the report in yellow. However, the Panel were specifically referred to the following areas:

- Page 9 - Pension's liability – the figure contained within the Statement of Accounts was a significant estimate and the External Auditors had requested evidence for assurance that this figure was appropriate;
- Page 9 - Valuation of property, plant and equipment - the Authority operated a 3 year cycle of revaluation and Leisure Centres represented the largest element of the Council's estate. As the Leisure Centres had not been valued during 2014/15 (as they were revalued in 2013/14) and given their significant value the External Auditors had requested that the Authority obtained assurances from the expert valuers that there were no material revaluation during the course of the year. It was explained that since the publication of the Agenda the External Auditors had received the valuation report from the Council's expert valuers, Barker Storey Matthews, and were satisfied with the response;
- Page 10 - Non-Domestic Rates safety net calculation - in August the Department for Communities and Local Government released a revised calculation template for the non-domestic rates safety net calculation. The External Auditors considered that the revised calculation was appropriate. However, it was yet to be agreed with the Council whether it should be recorded as an adjustment to the 2014/15 accounts, increasing the reported income, or reported as a non-adjusting event in the 2015/16 accounts;
- Page 10 - Provision against Non Domestic Rate (NDR) Appeals – the External Auditors were of the opinion that the estimate regarding appeals made against NDR assessments might be overly prudent and therefore the Authority was required to provide an additional explanation to support the appropriateness of the level of provision; and
- Pages 14 - 15 – Internal Controls – The External Auditors had identified four areas where the Council's internal financial controls required improvement relating to:
 - No formal authorisation process for journals;
 - Bank reconciliations;
 - No formal authorisation process for fixed asset disposals; and
 - Depreciation Policy.

It was explained to the Panel that where an Accountant below Principal Accountant level generated a journal of more than £850,000, this was reviewed by either a Principal Accountant or the Accountancy Manager. For journals below £850,000 produced by an Accountant below Principal Accountant, a new process was to be introduced whereby a random 10% sample of journals would be reviewed by either a Principal Accountant or the Accountancy Manager.

Currently fixed assets were not depreciated in the first year of purchase so depreciation on newly purchased assets was understated. As a result the Council had agreed that the Depreciation Policy would be updated for the 2015/16 Annual Financial Report.

The External Auditors referred the Panel to page 16 of their report regarding the risk of fraud. At the Panel's meeting in March the Panel had been asked whether they were aware or had any concerns regarding fraud. In presenting the draft ISA 260 report to the Panel the External Auditors asked the same question and received confirmation from the Panel that there had been no changes to its view of fraud risk and that no additional matters had arisen that should be brought to the attention of External Audit.

Appendix 1, page 20 of the draft report, referred to a summary of uncorrected misstatements. In response to a question the Panel were informed by the External Auditors that there were no uncorrected financial misstatements or disclosure misstatements to report and it was not envisaged there would be once the final ISA 260 report was issued.

The Annual Governance Statement had been prepared in consultation with the Panel and their comments had been incorporated. The Internal Audit and Risk Manager noted that there was one amendment required to the document regarding the Lead Officer listed on the last page of the report (page 18). The Lead Officer responsible for Improve project management practices, including Officer compliance with the project management toolkit, was the Corporate Team Manager, not the Corporate Director (Services).

External Audit commended the Annual Governance Statement and confirmed to the Panel that it incorporated all requirements as per the Chartered Institute of Public Finance and Accountancy guidance and also accorded with their audit.

The Letter of Representation from the External Auditors was required to support all audits in order to confirm that the audit has been completed to the best of their knowledge and belief. It was noted to the Panel that a new addition to the letter was the requirement to provide a complete list of the Authority's related party transactions as attached as Appendix 2 of the letter.

Referring to page 34 of the AFR it was noted by a Panel Member that as the Council did not possess 'Mayoral Regalia' the wording should be replaced with 'Civic Insignia'.

Having expressed appreciation to the Officers involved in producing the AGS and AFS and also to the External Auditors for their work over

the years and hoping that the new Auditors would be able to replicate their high standards, the Panel

RESOLVED

- i. to receive the External Auditor's Draft ISA 260 report (attached as Appendix A to the Officer's Report).
- ii. in principal, approves the Annual Governance Statement (attached as Appendix B to the Officer's Report) and authorises the Executive Leader and Managing Director to sign the Statement on behalf of the Council, once the External Auditors confirm that the Annual Governance Statement will not be qualified.
- iii. in principal, approves the Letter of Representation (attached as Appendix C to the Officer's Report) and authorises the Head of Resources to sign it on behalf of the Council, once the External Auditors confirm that both the Annual Governance Statement and the Annual Financial Report will not be qualified.
- iv. in principal, approves the Annual Financial Report (attached as Appendix D of the Officer's Report) and authorises the Chairman of the Panel to sign the accounts on behalf of the Council once the External Auditors confirm that the Annual Financial Report will not be qualified.

27. CHANGE IN EXTERNAL AUDITOR AND AUDIT FEES 2015/16

The Panel received a report (a copy of which is appended in the Minute Book) by the Head of Resources in respect of the change to the External Auditor and the audit fees for 2015/16.

As a consequence of:

- the abolition of the Audit Commission's public audit responsibility;
- the re-tendering of the Audit Commission 'private sector provider' external audit contracts on the 31st March 2015; and
- the transfer of responsibility for the appointment of external auditors to each local authority from 2017,

the Audit Commission appointed Ernst & Young as the Council's External Auditor for the two financial years 2015/16 and 2016/17.

There was a two-year gap (financial years 2015/16 and 2016/17) before an Authority was able to appointment its own Auditor. Until this time, as PricewaterhouseCoopers (PwC) had not bid for the contract, the Council's appointed External Auditors for the two intervening years were Ernst & Young. As a consequence of the new local authority audit regulations, all local authorities would be permitted to appoint their own External Auditor from 2017/18 onwards.

It was noted to the Panel that due to changes in financial regulations, the completion dates of audits and of the accounts would change and would need to be implemented as of 31 May 2018. In preparation for this the Council had been working towards the revised dates when

completing its audits and the accounts.

The Panel expressed its satisfaction with the service provided by PwC and if given the choice would prefer not to change. The Panel accepted the enforced position, but strongly suspected that the fees for the External Audit service would increase to that quoted. Whereupon it was

RESOLVED

that the Panel considered the report and offered comment in respect of the change in the External Auditor and the audit fee for 2015/16.

28. IMPLEMENTATION OF AGREED 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 31st August 2015.

Five actions had not been introduced, all of which had been considered previously by the Panel at its meeting in June 2015 and via a recommendation from Council at their meeting on 29th July 2015, would be considered by the Cabinet at its meeting on 17th September 2015.

The Corporate Management Team had set a target that 100% of agreed internal audit actions should be introduced on time. There were 78 actions due to be introduced in the year ending 31 August 2015. 77% (60 in number) of agreed audit actions were introduced on time. A further 17% (13 in number) of the agreed audit actions had been introduced, but late, and 6% (5 in number) remained outstanding. The current position in respect of the 5 outstanding audit actions was summarised in Appendix 2 of the Officer's report. Whereupon it was

RESOLVED

that the Panel note the report.

29. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was acquainted with the outcome of the Annual Review on the effectiveness of the Panel. The review concluded that the Panel was acting effectively and fulfilling its Terms of Reference.

Due to five of the eight Members being newly appointed to the Panel in May 2015, it was agreed that the Internal Audit and Risk Manager would conduct the review and share the findings with the Chairman and Vice-Chairman.

A number of opportunities to further improve the effectiveness of the Panel were identified within the review as follows:

- i. Five new Members were appointed to the Panel in May 2015. In order to obtain a clear idea of the current knowledge of all Panel Members regarding governance matters, a skills assessment would be completed so that training needs could be identified and addressed.
- ii. Whilst the Cabinet were responsible for approving the Risk Management Strategy and ensuring that risk management procedures were in place across the Council, the Panel required assurance that these arrangements were working effectively.
- iii. The Panel were aware that a review of the Council's Constitution was underway. The Panel would like early sight of any proposed changes so that they were able to adequately deliberate and consider the changes before making any recommendation to the Council.
- iv. A wide breadth of governance related knowledge was required by Members of the Panel. To ensure that the Panel remained effective, the number of new Members appointed to the Panel each year by the Council should be restricted.
- v. As recommended by the Panel in September 2013 and last year's report, the Council should introduce a Procurement Strategy and become a signatory to the Prompt Payment Code (PPC)

It was noted to the Panel that seven of the ten actions agreed as a result of the 2014 review had been introduced. The remaining three actions were listed within Appendix 1 the Officer's report under items 8 – 10 with accompanying information on how these matters would be addressed.

The Panel was informed that the Council had not become a signatory to the PPC as the voluntary PPC had been superseded by two pieces of legislation that required all valid and correct invoices to be paid within 30 days of receipt and that the Council's Terms and Conditions required its prime contractors to pay all subcontractors to the contract within 30 days for each valid invoice. It was noted that the latter was the issue that the Council had wanted to address and the reason that the PPC had been suggested initially.

In considering the outcome of the annual review, the Panel endorsed the opportunities to further improve the effectiveness of the Panel with the exception that the Council become a signatory to the PPC. The Panel stated that as the voluntary PPC had been superseded by legislation this should be better able to deal with the reason that the PPC had been initially required. In concluding the Panel

RESOLVED

- i. to consider the results of the outcome of the review of the effectiveness of the Panel;
- ii. endorse the opportunities identified to further improve Panel effectiveness as contained in the Executive Summary of the Officer's Report (points 1-5a inclusive); and

- iii. that the Council does not to become a signatory to the Prompt Payment Code (PPC) as contained in the Executive Summary of the Officer's Report (point 5b).

30. ANNUAL REPORT OF THE PANEL

The Panel was presented with the draft Annual Report of the Panel (a copy of which is appended in the Minute Book) in respect of the year ending 30th September 2015 which provided a summary of its work regarding the Council's internal control and governance environment.

Given that a finalised draft of the External Auditor's ISA 260 report had not been received prior to the Agenda dispatch, and part of the Annual Report incorporated the External Auditors opinion on the financial statements and achievement of value for money, the Panel was requested to delegate authority to the Chairman to approve any amendments required to the Annual Report prior to it being presented to the Council meeting on 30th September 2015.

As a wide breadth of governance related knowledge was required by Members of the Panel, one opportunity identified in the Annual report to further improve the effectiveness of the Panel was that the review of the Constitution considered options for restricting the number of changes to the Panel membership each year or the appointment of Members for longer than one year. In discussing this the Panel emphasised that they did not wish for this to be a deterrent for any Member expressing a wish to join the Panel, but rather to assist with the retention of knowledge on the Panel.

On the related topic of maintaining continuity, the Panel expressed concern at the level of declining attendance by some Panel Members over recent meetings. The Panel agreed for the Chairman to consider this matter further outside of the meeting. Whereupon it was

RESOLVED

- i. that the Panel reviewed the draft Annual Report;
- ii. delegates to the Chairman of the Panel the authority to approve any changes to the report; and
- iii. that the report be submitted to the 30th September 2015 Council meeting.

31. CONSULTATION PAPER - DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: A FRAMEWORK

The Panel received a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) for its consideration as a consultation paper had been issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (SOLACE) on planned revisions to the Delivering Good Governance in Local Government: Framework. The Framework underpinned the Council's own local Code of Corporate Governance and any changes to the Framework would be required to be reflected in the local Code.

The Council's Code of Corporate Governance was based on a previous version of the framework. It was noted that there was currently no timetable for the publication of the final document. However, the consultation suggested that the Framework would be published during the current financial year, and therefore the Council's Code of Corporate Governance would require amendments as appropriate and the 2015/2016 Annual Governance Statement would need to take account of the updated Code.

One of the consultation responses related to the relationship between Members and Officers. The Panel discussed the response to this as the Panel had previously considered how individual member performance should be evaluated. Within the consultation response it was suggested that senior management should be concerned with how individual members perform and provide training to assist them in improving in that particular role. However, it would be inappropriate for senior management to review an elected Members overall performance. The Panel accepted this, but was keen for Officers to act within a 'critical friend' role and feel able to suggest training as appropriate to individual Members if necessary.

In considering the Council's proposed response to the consultation as attached to the Officer's report, the Panel

RESOLVED

to delegate to the Chairman of the Corporate Governance Panel to finalise the Council's response to the consultation paper in consultation with the Internal Audit and Risk Manager.

32. 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 the future training proposed.

It was noted that a short information session on Procurement would be delivered to the Panel prior to the December meeting. A training session on the Council's Constitution, which was currently under review, was scheduled prior to the Panel meeting in March.

The Panel were informed that following discussions between the Chairman and the Managing Director it had been agreed that a report would be presented to the Panel in December that discussed the future role of the Panel and the focus for their future work programme. In discussing this the Panel noted that there were some significant issues coming forward which the Panel stated they should have some involvement in such as Shared Services, Project Management and the Constitution. Whereupon it was

RESOLVED

that the Corporate Governance Panel note the Programme of Work and the proposed training.

Chairman

This page is intentionally left blank

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
23/07/2014	<p><u>Review of effectiveness</u></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
26/11/2014	<p><u>Training</u></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).
03/06/2015	<p><u>Fraud Working Group</u></p> <p>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.</p>	Not before December 2015	A report is to be presented to the December 2015 meetings of the Corporate Governance Panel, Overview and Scrutiny Panel (Economic Well-Being) and the Cabinet on the Workplan for the Council's Fraud Team. The report recommends that an Annual Report together with ongoing oversight from the Executive Councillor (Customer Services) is considered sufficient in the light of an amended Workplan.	Head of Customer Services	Yes

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
16/09/2015	<p><u>Consultation Paper - Delivering Good Governance in Local Government: A Framework</u></p> <p>The Panel delegated to the Internal Audit and Risk Manager in consultation with the Chairman of the Corporate Governance Panel to finalise the Council's response to the CIPFA consultation paper.</p>	<p>Consultation responses to be submitted by 28th September 2015</p>	<p>The response was agreed with the Chairman of the Panel on 24th September and submitted to CIPFA on the same date.</p>	<p>Internal Audit & Risk Manager</p>	<p>Yes</p>

**Public
Key Decision - Yes**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Corporate Fraud Workplan and Prosecution Policy

Meeting/Date: Corporate Governance Panel – 2 December 2015
Overview and Scrutiny (Economic Well-Being)
– 8 December 2015
Cabinet – 10 December 2015

Executive Portfolio: Executive Councillor for Customer Services

Report by: Benefits Manager

Ward(s) affected: All

Executive Summary:

This report sets out the workplan for the Corporate Fraud Team following the transfer of Housing Benefit fraud investigations to the Department for Work and Pensions (DWP). It details the Council's approach to fraud prevention and detection and sets out the main focus of the Team's work. The accompanying Fraud Prosecution Policy has been amended to take account of this change of direction, and Cabinet should endorse these principles for Officers to act on.

The Fraud Working Group (a subset of the Corporate Governance Panel) has supported the work of the Fraud Team. Consideration was to be given to re-forming the Fraud Working Group once a workplan based around the new priorities for the team had been determined. Dealing with fraud effectively remains important, but it is felt an annual report presented to Corporate Governance Panel together with the Executive Councillor for Customer Services overseeing the on-going work of the team is an appropriate level of focus – especially as the smaller team is focussed on more limited areas of work within HDC.

Recommendation(s):

It is recommended that:

1. Corporate Governance Panel and Overview and Scrutiny provide any necessary feedback to Cabinet

It is also recommended Cabinet:

2. Consider the reports of CGP and O&S and approves the workplan
3. Approves the revised Prosecution Policy
4. Endorse the recommendation that monitoring of the delivery of the workplan is overseen by the Executive Councillor for Customer Services alongside annual reports to the Corporate Governance Panel.

1. WHAT IS THIS REPORT ABOUT?

- 1.1 This report sets out the proposed workplan for the Corporate Fraud Team in its broader remit now that Housing Benefit fraud is no longer the main focus of its work. The workplan takes account of the team having fewer resources, and identifies what areas of work currently present most risk to HDC and also refers to emerging fraud risks facing local authorities.
- 1.2 The Fraud Prosecution Policy has to be amended in light of Housing Benefit prosecutions no longer being carried out by HDC. It contains the process to be followed when dealing with any potential prosecution and the alternative actions that may be considered but also has regard to legislation that applies to specific service areas.
- 1.3 In addition, the report looks at whether the formation of a new Fraud Working Group should be considered to support the work of the Corporate Fraud Team as they continue to establish work priorities over the next few years.

2. BACKGROUND

- 2.1 In May 2015, the responsibility for investigating allegations of Housing Benefit fraud transferred to the DWP. Three Investigating Officers transferred to the DWP at the same time, leaving a smaller team at HDC comprising a Team Leader, one Investigating Officer and an Intelligence Officer.
- 2.2 Since then, the team has been completing the residual work left after the DWP transfer, including preparing a number of Housing Benefit cases for prosecution. In addition, HDC has been the lead Council in a CLG funded countywide initiative called the Cambridgeshire Anti-Fraud Network (CAFN).
- 2.3 This has been a period of transition for the team in establishing what areas of fraud to concentrate on now that the main focus is no longer Housing Benefit and determining the limits of the work it can deal with taking account of the fact that the service is very often demand led based on the number of allegations received.
- 2.4 The workplan has been developed around the types of fraud that currently form the majority of the work for the team as well as new and emerging threats, specifically:
 - Council Tax Support fraud
 - Council Tax discount fraud
 - Housing Tenancy fraud – subletting/register/rent deposit applications
 - Business Rates
 - Right To Buy
 - No Discourse to Public Funds

Plans for the future include working with service areas across the Council and other partners to determine the level of risk from fraud they face in order to see how the Corporate Fraud Team can work with them to reduce risk and investigate allegations of fraud.

- 2.5 Investigating different types of fraud requires the Fraud Prosecution Policy to be amended to include reference to the legislation used in prosecuting these new areas.

- 2.6 The Policy sets out the legislation and process that Investigating Officers must adhere to when considering what action to take following a fraud investigation. Although committing fraud is a crime, there are various tests and processes to go through before determining if prosecution is the appropriate outcome for the investigation.
- 2.7 The Policy refers to the Evidential and Public Interest Tests set out in the Code for Crown Prosecutors which need to be applied taking into account the individual facts of a case.
- 2.8 The Policy also sets out what needs to be considered when dealing with fraud against specific services, i.e. the appropriate legislation and disposal methods.
- 2.9 The Fraud Working Group was established to support the work of the original Fraud Team and help raise its profile across the Council. The smaller format of the Corporate Fraud Team means that they now have to focus on the biggest areas of risk to the Council through a combination of pro-active and reactive work and leading the work of the CAFN project. The team is still in a period of transition and is concentrating resources on building relationships with teams across the Council and partners to determine what support can be offered.

3. ANALYSIS

- 3.1 Despite several staff changes, the team's performance during 2015/16 shows that it continues to be a valuable asset in HDC's fight against fraud.
- 3.2 370 of the 442 referrals received between April and October 2015 were selected for investigation and to date 43 of these cases have been proved.
- 3.3 The value of the fraud discovered for services provided by HDC equates to £171,876, broken down into the following areas:

Type of fraud	Value of fraudulent overpayments
Council Tax Benefit	£ 10,217
Council Tax Support	£ 18,094
Council Tax Discounts	£ 17,992
Housing Benefit*	£125,573

- In addition, five social housing properties have been recovered to be re-allocated to families in genuine need.
- Council Tax fines totalling £2k have been given to 11 people fraudulently claiming a Single Person Discount.
- Another £29k of fraud was identified in DWP administered benefits.
- A total of 14 Housing Benefit prosecutions have taken place from the residual work left after the transfer of work to the DWP in May 2015.

* Although the team no longer investigate Housing Benefit fraud, the discrepancies found during the course of investigating Council Tax Support/Council Tax Discount fraud, often lead to an overpayment of Housing Benefit, hence the figures included above. Details of the fraud are passed on to the DWP for them to take action as appropriate.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 Overview & Scrutiny will comment on the papers at its meeting on 8th December 2015.

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

5.1 The Council will always be at risk of fraudulent activity but the work of the Corporate Fraud Team will help to reduce this risk by having robust processes in place to prevent, investigate and deal with fraudsters.

6. WHAT ACTIONS WILL BE TAKEN?

6.1 The workplan is already in place to some degree but can be amended to include any further areas of work identified during the Member approval process.

7. LINK TO THE CORPORATE PLAN

7.1 Strategic priority and objective: Ensuring that we are a customer focused and service led council.

8. LEGAL IMPLICATIONS

8.1 None

9. RESOURCE IMPLICATIONS

9.1 Costs of staff within the CFT are currently included within the Council's budget. The revised work activity is aiming to more effectively prevent, detect and recover any losses related to fraud.

10. OTHER IMPLICATIONS

10.1 None

11. REASONS FOR THE RECOMMENDED DECISIONS

11.1 The workplan will help HDC meet its requirements under the Council's Anti-Fraud and Corruption Strategy by protecting the Council from loss caused by fraudulent acts. The workplan sets out the areas of the work that the team will initially concentrate on but it will continue to work with service areas to develop an understanding of the risks they face and work with them as needed.

11.2 It is important for HDC to have a document setting out its approach to dealing with fraudulent activity - both as a deterrent and setting out the consequences of committing crime against the Council. The Fraud Prosecution Policy clearly shows that HDC will not tolerate fraud and that anyone found to be committing fraud could face criminal action or a financial penalty.

11.3 The Corporate Fraud Team's remit focuses on Council services most at risk from fraud and loss and although the team has been in its new format since May 2015, it is still establishing priorities for the future. The work of the Corporate Fraud Team is reported to the Corporate Governance Panel on an annual basis. In addition, ad hoc reports are presented during the year as necessary and the Portfolio Lead for Customer Service (Cllr Tysoe) continues

to oversee workload in this area. It is felt this is sufficient and that the formation of the Fraud Working Group would not add further value at this time.


12. LIST OF APPENDICES INCLUDED

Appendix 1 – Corporate Fraud Team Workplan 2015/17
Appendix 2 – Fraud Prosecution Policy

BACKGROUND PAPERS

HDC's Anti-Fraud and Corruption Strategy
TEICCAF's Protecting the English Public Purse 2015

CONTACT OFFICER

Amanda Burns/Benefits Manager
 01480 388122

This page is intentionally left blank

1. INTRODUCTION

- 1.1 Huntingdonshire District Council (HDC) aims to set and achieve the highest standards of service provision in all of its services. This is underpinned by the strategic objective in the Corporate Plan to:
- Ensure we are a customer focused and service led Council - we want to continue to deliver value for money services.
- 1.2 HDC is committed to actively safeguard public funds by preventing and detecting fraud and corruption. Maintaining high levels of probity, governance and ethics will ensure that HDC's resources can be focussed in providing services that matter to local residents.
- 1.3 HDC's commitment to dealing with fraud and error is demonstrated by having in place systems, resources and procedures designed to:
- limit the opportunities to commit fraudulent acts
 - enable such acts to be detected at the first opportunity
 - deal with investigations promptly, thoroughly, professionally and legally.
 - where appropriate use and publicise its sanction activity as a deterrent to future offending.
 - reduce the financial loss caused by fraudulent activity
- 1.4 To enable this, HDC retains a professional, fully trained Corporate Fraud Team (CFT). The work of this team is directly aligned to meet the priorities set out in the HDC's Anti-Fraud and Corruption Strategy approved by Members in June 2015.

2. RECENT DEVELOPMENTS AND BACKGROUND

- 2.1 The Fraud Team was originally established to combat benefit fraud but over recent years the remit of the Team has expanded considerably. The work of the Team has included investigations into all areas of services provided by HDC but in particular around Local Taxation and Housing but also matters relating to Employees, Elections, Planning and Environmental Health.
- 2.2 With the creation of the Single Fraud Investigation Service (SFIS) by the Government, all welfare benefit fraud, including Housing Benefit is now investigated by the Department for Work and Pensions (DWP).

- 2.3 From May 2015, with the transfer of three Investigating Officers to the DWP, the size and focus of the team has inevitably changed. It is important that a smaller team concentrates on preventing and investigating fraud that presents the highest risk to HDC. The retention of the CFT is against a national trend which has shown that nationally, less than half (45.7%) of councils have a corporate counter fraud team tackling non- benefit fraud. In London, 93.5 per cent of councils have a corporate fraud team. By comparison just 37.4 per cent of councils in the rest of the country have a corporate fraud team.
- 2.4 HDC was the lead authority for all of the Cambridgeshire Districts and a number of other partners in securing funding from DCLG to establish the Cambridgeshire Anti-Fraud Network (CAFN). The principle aim of the partnership has been the creation of a central data-sharing hub across Cambridgeshire to assist in the detection and investigation of tenancy fraud and other fraud identified/reported across the County.
- 2.5 Following the abolition of the Audit Commission in March 2015, The European Institute for Combatting Corruption and Fraud (TEICCAF) was formed to continue the counter-fraud work of the Audit Commission in supporting local authorities dealing with fraud and sharing information on trends in fraud detection, the dissemination of good practice and identifying current and emerging risk. *Protecting the English Public Purse 2015* was published earlier this year and has helped to form the focus of the CFT into the future, along with HDC's Anti-Fraud and Corruption Strategy.

3. WORK PRIORITIES FOR 2015/17

- 3.1 The team's substantive structure is currently:
- 1 Team Leader (TL)
 - 1 Investigating Officer (IO)
 - 1 Fraud Intelligence and Analyst Officer (AO)
- 3.2 Sifting of referrals: The AO will sift all reported fraud in line with current procedures and select those cases suitable for full investigation and those which can be dealt with in other ways. The sift will include an assessment of potential loss with those cases highlighted as producing larger or more immediate savings being prioritised.
- 3.3 Investigations: The IO will undertake investigations into all cases selected for full investigation.
- 3.4 Management: The TL will work to develop the CAFN project and continue working with partners to identify services at risk of fraud. The TL oversees all investigations, prepare files for disposal in line with the Fraud Prosecution Policy and produces reports for senior officers and Members.

3.5 The work priorities identified by the team are currently:

- Council Tax Discount Fraud
- Council Tax Support Fraud
- Housing Tenancy Fraud – subletting/register/rent deposit applications
- Business Rates
- Housing Benefit Matching Service referrals – initial sift and checks but this will change as new risks are identified.

Targets:

Council Tax Discount Fraud	15 penalties per annum 4 prosecutions per annum
Council Tax Support Fraud	5 penalties per annum
Housing Tenancy Fraud	8 properties recovered per annum

(These targets will be reviewed as the team becomes more established and works with other service areas.)

- 3.6 In addition, although the CFT no longer investigates Housing Benefit fraud, it has taken on the role of Single Point of Contact (SPoC) for dealing with enquiries received from the DWP in relation to Housing Benefit investigations in line with the requirements and deadlines set by the DWP.
- 3.7 The CFT is often called upon to provide expertise and mentoring for other enforcement services in collection of evidence and interview facilities. The CFT offers a wide variety of services including credit reference data, local intelligence, checking for previous convictions or even hands on interview specialism to other sections within the Council.
- 3.8 A number of new and emerging frauds have been identified by TEICCAF, some of which may affect HDC. These include Right To Buy (RTB) and No Recourse to Public Funds.
- 3.9 Proposed changes to legislation could mean that Housing Associations will become increasingly at risk from RTB fraud. In order to combat this, the CFT is working with Housing Association partners to establish whether their procedures for processing RTB applications are robust and how the CFT can help ensure that only genuine applications are accepted.
- 3.10 For securing the gateway to ensure that HDC services are only provided to people legitimately entitled to receive them, the CFT has purchased scanners that can identify whether documents such as passports, visas and driving licences are genuine.

- 3.11 The CFT will work with the HDC Audit Section and partners to determine whether there is a risk to HDC and take appropriate action.

4. PUBLICITY

- 4.1 The CFT encourages allegations of fraud to be reported to HDC through the following:
- a 24-hour telephone line (automated voicemail system) that is checked daily
 - a further phone line manned during office hours
 - an e-mail account linked directly to the CFT
 - on-line referral forms on the HDC website
 - Cambridgeshire Tenancy Fraud Forum/CAFN website with on-line referral forms
 - at any of the Council's offices or in writing
- 4.2 Prosecutions are regularly publicised in the local press as both a deterrent to prospective fraudsters and as a way of encouraging further referrals.



Fraud Prosecution Policy

1. Introduction

- 1.1 Huntingdonshire District Council (the Council) is committed to providing good quality services delivered by people who put the customer first and provide value for money services in accordance with its corporate plan.
- 1.2 The Council also has a duty to protect from abuse the public funds, resources and assets it administers and be aware of the risks within its financial and delivery systems for fraud, error or other irregularity. In carrying out this duty, the authority may use information provided to it for the purpose of the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.
- 1.3 The Council will wherever possible incorporate effective internal controls to minimise the risk of fraud occurring. However despite this, fraud can be perpetrated and appropriate procedures need to be in place.
- 1.4 The Council understands that some people (including customers, staff, elected Members or contractors) may attempt to obtain financial or some other advantage from Council services to which they are not entitled and sometimes this is done deliberately. Where an investigation has revealed this to be the case the Council will consider the individual circumstances of the case and where appropriate will consider whether a criminal prosecution, or alternative disposal such as financial penalties or caution, should be applied.
- 1.5 This policy outlines the procedures to be followed with regard to the prosecution of people who have committed fraud. It will serve as a policy statement that is supported by Members of the Council who have endorsed the Anti-Fraud and Corruption Strategy, and as an operational guide for Investigating Officers.
- 1.6 A range of sanctions are available to the Council. These include disciplinary action, civil proceedings, criminal proceedings, official cautions and penalties. In appropriate cases we will take more than one form of action. For example, where staff have defrauded the Council we may take disciplinary, prosecution and civil recovery action.
- 1.7 The Council will always have regard to the circumstances of the individual it is dealing with when considering any case of alleged fraud. Every case will be treated on its own merits and it will abide with its duties contained in the Equality Act 2010. The council will, however, have regard to any extenuating and relevant circumstances of the individual including age, disability, learning or language difficulties which may have contributed to the alleged offending.
- 1.8 The term Sanction refers to any penalty or criminal prosecution that can be imposed by the council, and allowed by legislation, where offending contrary to any of the following appears, in the Councils opinion, to have occurred:
 - Theft Acts 1968/ 1978 (TA)
 - Forgery and Counterfeiting Act 1987 (FCA)
 - Computer Misuse Act 1990 (CMA)
 - Local Government Finance Act 1992 (LFGA)
 - Data Protection Act 1998 (DPA)

- Identity Card Act 2006 (ICA)
- Fraud Act 2006 (FA)
- The Bribery Act 2010 (TBA)
- Welfare Reform Act 2012 (WRA)
- The Prevention of Social Housing Fraud Act 2013. (PSHFA)
- The Council Tax Reduction Scheme (Fraud & Enforcement) England 2013

2. The Policy

- 2.1 All investigations conducted by the Council must adhere, at all times, to the requirements of the Police and Criminal Evidence Act 1984, the Criminal Procedures and Investigations Act 1996, Human Rights Act, Regulatory Investigatory Powers Act 2000 and the relevant primary legislation listed in 1.8. All evidence gathering will comply with the Data Protection Act 1998.
- 2.2 Each case is unique and must be considered on its own facts and merits. Investigators must be fair, independent and objective. They must not let any political or personal views about ethnic or national origin, sex, religious beliefs, or the sexual orientation of the suspect, victim or witness influence their decisions. They must not be affected by improper or undue pressure from any source.
- 2.3 It is the duty of the Council to make sure that the right person is prosecuted for the right offence. In doing so, the Council must always act in the interests of justice and not solely for the purpose of obtaining a conviction.
- 2.4 Where necessary the Council will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, Her Majesty's Revenue and Customs, other Local Authorities, Registered Social Landlords and departments within Huntingdonshire District Council.
- 2.5 Where any case is to be considered for prosecution or a penalty the Code for Crown Prosecutors requires that every case is considered fairly and objectively and that principles around the standard of evidence and the public interest are considered and that only where these tests are passed should a case be considered for prosecution

3. The Evidential Test

- 3.1 The Evidential Test must be applied in all cases regardless of the method of sanction chosen.
- 3.2 The Code for Crown Prosecutors, revised in January 2013, lays out how this test must be applied. Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be.

4. The Public Interest Test

- 4.1 Where there is sufficient evidence to justify a prosecution or to offer an out-of-court disposal, prosecutors must go on to consider whether a prosecution is required in the public interest.
- 4.2 The Code for Crown Prosecutors lays out the public interest factors which can increase the need to prosecute or may suggest an alternative course of action. The factors will vary from case to

case. Not all the factors will apply to each case and there is no obligation to restrict consideration to the factors listed. In making a decision to prosecute, all available information must be carefully considered.

- 4.3 The Council's officers will refer to the latest Crown Prosecution Service guidance and Best Practice when considering the public interest test.
- 4.4 The more serious the offence, the more likely it is that prosecution will be required in the public interest.
- 4.5 Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction.

5. Officer Fraud and Corruption.

- 5.1 In all cases of fraud, theft, financial misconduct, serious and intentional breach of financial regulations and corruption committed by officers we will seek disciplinary action. The normal recommendation would be "gross Misconduct".
- 5.2 Where a financial loss has been identified the Council will always seek to recover this loss through civil or criminal process.
- 5.3 Where appropriate, we will refer cases to the relevant prosecuting authority for criminal prosecution.

6. Tenancy Fraud

- 6.1 The Council's Corporate Fraud Team support the work of the Council's Housing Needs and Options Team and registered Social Landlords and will investigate suspicions of Tenancy Fraud.
- 6.2 This includes:
 - Unauthorised sub-letting
 - Abandonment
 - False succession applications
 - Right to buy
 - General Tenancy breaches

- 6.3 In all cases of tenancy fraud the Council will seek repossession of the property and recovery of any financial losses. The Council's view is that one property lost to fraud is one less property available to use for genuine applicants.
- 6.4 Tenancy Fraud will also be considered for criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and public interest test.
- 6.5 The Prevention of Social Housing Fraud Act is used to prosecute offenders.

7. Council Tax Support

- 7.1 The legislation governing the use of a financial penalty as an alternative to prosecution where a person has fraudulently claimed Council Tax Support is contained in section 14C of the Local

Government Finance Act 1992. The conditions by which a penalty might be used are described in regulation 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

- 7.2 Penalties may be offered as an alternative to prosecution when a fraudulent claim has caused excess Council Tax Support to be awarded or could have caused excess Council Tax Support to be awarded.
- 7.3 In accordance with the legislation a penalty offered as an alternative to prosecution will be a minimum of £100.00 or 50% of the fraudulent excess Council Tax Support claimed by the offender (rounded down to the nearest penny) whichever figure is greater. A penalty should not exceed £1000.00. A person does not have to accept the penalty, however if they refuse consideration should be taken depending on the individual merits of the case and the public interest test to prosecute.

8. Single Person Discount

- 8.1 In all cases of this type of fraud the discount will be recovered and depending on the individual merits of each case a £70.00 per year penalty may be applied or the case may be considered for prosecution.

9. Other Fraud

- 9.1 In the event of “other Frauds” against the Council, not specifically mentioned above, the Council will also consider criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and the public interest test. This will also include cases of attempted fraud i.e. false applications for services.
- 9.2 In cases where the Council suffers a financial loss, we will always seek recovery.
- 9.3 Where an organisation is involved in the fraud, the Council will also make referrals to the relevant governing body, i.e. Charities Commission, Registrar of Companies, Law Society.
- 9.4 For the purpose of this policy “Other fraud” includes, but is not limited to: Council Tax discounts, Business Rates, Renovation Grants, and any other areas of risk and fraud identified by the Council.

10. Warning letters

- 10.1 Encouraging people who use the Councils services to act honestly at all times should be paramount to any policy that considers criminal/civil penalties for those people that fail in their responsibilities.
- 10.2 In any cases where a minor failure/offence has occurred or there are serious mitigating circumstances, or even where to bring action might put the Council at risk of disrepute, a warning letter can be issued to a person to remind them of their duty/ responsibilities and the implications of a future failure to comply with Council policies/ procedures or relevant legislation.
- 10.3 Such a letter would not be recorded as a criminal disposal but would be kept on record for reference if further matters come to light about the same person in future.

11. Publicity

- 11.1 It is the Council's intention to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

Private
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Overview and Scrutiny Panel Structure: Changes to the Constitution

Meeting/Date: Corporate Governance Panel – 2 December 2015

Executive Portfolio: Councillor Jason Ablewhite, Executive Leader

Report by: Daniel Buckridge, Policy, Performance & Transformation Manager (Scrutiny)

Ward(s) affected: All

Executive Summary:

For the Panel to approve the change to the Council's Constitution to allow a change to the structure of the Council's Overview and Scrutiny Panels, which was endorsed by the existing Panels at their November 2015 meetings.

It is considered that the proposed new structure is a better fit to the organisation's strategic priorities than the current structure as it is aligned to and consistent with the Corporate Plan. The new structure proposed should help balance the workload of Members involved, creating capacity for more in-depth work such as studies by Task and Finish Groups. Amendments to the Constitution to allow us to set up the new structure would also introduce greater flexibility and encourage more joint working between panels.

No changes are proposed to the powers available for Overview and Scrutiny at the Council.

Recommendation(s):

That the Panel recommends to Council that the Constitution be amended to reflect the new structure proposed for the Council's Overview and Scrutiny Panels, as set out in Appendix A.

1. PURPOSE

- 1.1 For the Panel to approve the change to the Council's Constitution to allow a change to the structure of the Council's Overview and Scrutiny Panels, which was endorsed by the current Panels at their November meetings.

2. BACKGROUND

- 2.1 The Corporate Governance Panel has responsibility for considering proposals to review the Council's Constitutional arrangements and making appropriate recommendations to the Council. The changes proposed in this report have been considered and endorsed by the Head of Paid Service and Monitoring Officer, as well as the existing Overview and Scrutiny Panels.
- 2.2 At the Scrutiny Away Day in February 2015, the current structure of Overview and Scrutiny panels was questioned. With recent changes to portfolio responsibilities of Cabinet Members, the remit and alignment of panels may not support the best possible opportunity for effective Overview and Scrutiny. There were also concerns about the balance of workload between panels.
- 2.3 Members of Cabinet and the Chairmen and Vice-Chairmen of the Overview and Scrutiny panels have considered a range of options for a new structure. With consensus in support of a single option, the Chairmen and Vice-Chairman have met with senior officers to explore how this could work in practice and a report on the preferred new structure has been considered by all three panels. The panels endorsed the new structure at their November meetings and are requesting that amendments be made to the Constitution to allow the new structure to be adopted.

3. OPTIONS CONSIDERED

- 3.1 Three different options were considered. Each of these proposed a total of three panels to include a 'Finance and Performance' panel. Option 1 proposed that this panel should be accompanied by 'Delivery' and 'Services' panels to reflect the Corporate Director responsibilities. Option 2 proposed 'Economy and Growth' and 'Communities and Customers' panels to align with the strategic priorities in the Corporate Plan and Option 3 proposed 'Internal' and 'External' panels.

4. PROPOSED NEW STRUCTURE

- 4.1 The Overview and Scrutiny Panels have considered and endorsed Option 2, which would establish three new panels based on 'Economy and Growth', 'Communities and Customers' and 'Finance and Performance'. These Panels would have the following links to the Council's Corporate Plan 2014-16.

Economy and Growth	Communities and Customers	Finance and Performance
Links to Corporate Plan Strategic Priorities: 'A strong local economy' 'Enabling sustainable growth'	Links to Corporate Plan Strategic Priorities: 'Working with our communities' 'Ensuring we are a customer focussed and service led Council' (the 'To ensure customer engagement drives service priorities and improvement' objective)	Links to Corporate Plan Strategic Priorities: 'Ensuring we are a customer focussed and service led Council' (the 'To become more business-like and efficient in the way we deliver services' objective)

4.2 This option is considered to have the clearest links to the Corporate Plan's strategic priorities and objectives. Work undertaken has indicated that the preferred option would result in a more balanced workload for the panels and their Members. It should also create capacity for more in-depth work through Task and Finish Groups or similar approaches which the Chairmen/ Vice-Chairmen of the existing panels are keen to make greater use of.

4.3 In amending the Constitution to introduce the new Scrutiny panel structure, it is recommended that this should be less prescriptive with regard to which panel is responsible for each service area. This will help ensure that capacity, links to existing work programmes and the need or potential for cross-panel working are taken into account when allocating new items to panels. Appendix 1 sets out proposed changes to the Constitution, which will allow items to be allocated to panels as appropriate, rather than having to follow the portfolio/service-based approach which is currently required.

5. RESOURCE IMPLICATIONS

5.1 The changes to the Overview and Scrutiny panel structure proposed will require relatively minor amendments to the Constitution, as set out in Appendix 1. Setting up new panels will require some changes to our committee minutes system and website and officers will need to work with the Chairmen and Vice-Chairmen to establish agenda plans for the new panels.

6. LEGAL IMPLICATIONS

6.1 The proposed change to the Constitution will need to be considered by the Corporate Governance Panel and then approved by full Council. Less prescriptive definitions of the panels and their remits would allow greater flexibility without further changes to the Constitution being required so the changes could be implemented in time for the new year. No changes to powers related to Overview and Scrutiny are proposed.

7. OTHER IMPLICATIONS

7.1 Amendments to the Overview and Scrutiny panel structure would need to be accompanied by clear communication with Members, officers, partners and residents in announcing the changes. This would present a good opportunity to raise awareness of the role of Overview and Scrutiny at the Council.

8. RECOMMENDATIONS

8.1 The Corporate Governance Panel is invited to:

- Recommend to Council that the Constitution be amended to reflect the new structure proposed for the Council's Overview and Scrutiny Panels, as set out in Appendix A.

BACKGROUND PAPERS

CONTACT OFFICER

Daniel Buckridge, Policy, Performance & Transformation Manager (Scrutiny)
(01480) 388065

This page is intentionally left blank

Appendix 1 – Proposed changes to Constitution

ARTICLE 6 - OVERVIEW AND SCRUTINY

1. TERMS OF REFERENCE OF OVERVIEW AND SCRUTINY PANELS

Current wording:

The Council will appoint the Overview and Scrutiny Panels set out in the left hand column of the table below to discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in the right hand column of the same table.

OVERVIEW & SCRUTINY PANEL	SCOPE	EXECUTIVE PORTFOLIO
SOCIAL WELL-BEING	Private sector housing	Strategic Planning and Housing
	Disabled facilities grants	
	Homelessness	
	Housing grants	
	Housing register/nominations	
	Home Improvement Agency	
	Housing providers/associations	Strategic Economic Development, Legal and Healthy Communities
	Housing strategy/policies	
	Air quality/noise/pollution	
	Animal welfare/pest control	
	Caravan sites	
	Commercial: health and safety promotion/food safety	
	Community initiatives	
	Community safety	
Corporate health and safety		
Infectious diseases		
Sport & Active Lifestyles		
Smoke free initiatives		
Diversity and Equalities		
Safeguarding		
CCTV	Commercial Activities	
Huntingdon/St Neots/St Ives/Ramsey/Sawtry – One Leisure Sport & Active Lifestyles		
Licensing and Protection Communities and Voluntary Groups	Strategic Economic Development, Legal and Healthy Communities	

Appendix 1 – Proposed changes to Constitution

OVERVIEW & SCRUTINY PANEL	SCOPE	EXECUTIVE PORTFOLIO
	<p>Contracts Conveyancing Data protection/Regulation of Investigatory Powers Land Charges Legal advice Planning advocacy Prosecutions and litigation</p> <p>Document Centre</p> <p>Audit Budget preparation Debt recovery Final accounts/financial advice Financial forecasting monitoring Payment of creditors Procurement Risk management Treasury Management (borrowing and investments)</p> <p>Engineering and architectural design Facilities Management Corporate and Operational Estate Project /Contractual management Capital Projects</p> <p>Communication & marketing Corporate performance Corporate policy/research Investment Estate Localism management Strategic and delivery Partnerships</p> <p>Democratic Services Elections/Electoral Registration Member Support</p>	<p>Commercial Activities</p> <p>Resources</p> <p>Executive Leader & Deputy Executive Leader</p> <p>Strategic Economic Development Legal and Healthy Communities</p>

Proposed new wording:

The Council will appoint Overview and Scrutiny Panels **as it sees fit** to discharge the functions conferred by Section 21 of the Local Government Act 2000.

CODE OF FINANCIAL MANAGEMENT

Current wording:

1.5 Overview and Scrutiny Panels

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

Proposed new wording:

1.5 Overview and Scrutiny Panel (Finance and Performance)

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

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: External Audit Annual Audit Letter 2014/15
Meeting/Date: Corporate Governance Panel – 2 December 2015
Executive Portfolio: Resources: Councillor J A Gray
Report by: Head of Resources
Ward(s) affected: All Wards

Executive Summary:

The 2014/15 audit of the Council's Annual Financial Report, the Annual Governance Statement and relevant grant claims is now complete. Consequently, the Council's External Auditor, PricewaterhouseCoopers is required to issue an Annual Audit Letter; this is attached at Appendix 1. The Annual Audit Letter is a digest of the Auditor's findings, recommendations and fees in respect of 2014/15.

Recommendation(s):

The Panel is requested to note the 2014/15 Annual Audit Letter and comment as necessary.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 At the conclusion of each year's audit work the External Auditor issues an Annual Audit Letter, which is a digest of their findings and recommendations made along with an indication of the audit fee due.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Panel is designated as "those charged with governance". Members will recall that at the meeting of the 16th September they:

- received a draft ISA 260,
- approved the Executive Leader and Officers to authorise the Annual Governance Statement and the Letter of Representation, and
- approved the Chairman to authorise the Annual Financial Report.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 On the 16th September the Auditors signed the 2014/15 Annual Financial Report and their final ISA 260 report was published by the statutory deadline of the 30th September. The Auditors have now issued the Annual Audit Letter, attached as Appendix 1, which is a digest of their findings, recommendations and fees for their work in respect of 2014/15.

- 3.2 The issues highlighted within the Annual Audit Letter which have also been reported in the draft ISA 260 report are:

- Estimation of the pension liability - this is the most significant estimate in the annual accounts and it is the valuation of the net pension liabilities for HDC employees in the Cambridgeshire County Council pension scheme.
- Valuation of Property – The Council operates a three year valuation cycle and this year covered £9.3m of land and building, resulting in an increase in the valuation by £150,000. The valuation was conducted by an external valuation expert and whose findings were reviewed by PwC's own internal experts.
- Safety net calculation – Department for Communities and Local Government released a revised calculation template after the annual accounts were completed. The revised calculation resulted in an additional £845,000 income due to the Council. PwC have agreed with the Councils treatment that this is a non-adjusting event and will be recorded as 2016/17 income.
- Provision against Non-Domestic Rates appeals – the appeals against rateable value provision in the Collection fund was increased to £8.3m; the Councils share is £3.1m. PwC challenged the estimation and believe that the provision is over prudent. The Council used an external expert in the calculation process and believes this is a realistic estimation based on known variables. This is a difference in estimation and judgement and PwC did not consider this an error and no adjustment was required.

- 3.3 No material adjustments to the statutory accounts were required as a result of these issues.

4. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 4.1 The three recommendations included in the Annual Audit Letter will be implemented in the agreed timescales in the report on page 5.

5. LINK TO THE CORPORATE PLAN

- 5.1 The Annual Financial Report is a statutory and legal requirement and links into the Corporate Plan in with “Ensuring we are a customer focused and service led council delivering value for money services - Become more business-like and efficient in the way we deliver services”.

6. LEGAL IMPLICATIONS

- 6.1 The purpose of this report is to satisfy procedural and legal requirements in connection with Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies.

7. RESOURCE IMPLICATIONS

- 7.1 The annual external audit fee is included within the 2015/16 budget.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The Annual Audit Letter concludes the annual audit process and it is good governance to present the external auditors final report to the group charged with Governance.

9. LIST OF APPENDICES INCLUDED


Appendix 1 - PwC 2014/15 Annual Audit Letter

BACKGROUND PAPERS


Working papers are held in Resources

CONTACT OFFICER

Clive Mason, Head of Resources

 01480 388157

Rebecca Maxwell, Accountancy Manager

 01480 388117

This page is intentionally left blank

Huntingdonshire District Council

Annual Audit Letter

2014/15

45

Government and
Public Sector

October 2015

Contents

<i>Introduction</i>	<i>1</i>
<i>Audit Findings</i>	<i>3</i>
<i>Other matters reported to those charged with governance</i>	<i>5</i>
<i>Final Fees</i>	<i>7</i>

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

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining

46 *where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement.*

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Our audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2014/15 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Corporate Governance Panel in the following reports:

- Audit opinion for the 2014/15 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260); and
- Annual Certification Report (to those charged with governance) for 2013/14. Our Annual Certification Report for 2014/15 will be issued in January 2016 following completion of our work.

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

Scope of Work

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

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in February 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK

and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit Responsibility	Results
Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).	We reported our initial findings findings to those charged with governance in the form of the Corporate Governance Panel on 16 September 2015. The finalised ISA260 report was issued on the 28 September On 28 September 2015 we issued an unqualified audit opinion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We confirmed to the National Audit Office that the Council was below the required threshold on 28 September 2015.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 28 September 2015 we issued an unqualified value for money conclusion.
Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	We undertook our work in accordance with our Audit Plan. There were no issues to report in this regard.

Audit Responsibility	Results
<p><i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i></p>	<p>We undertook our work in accordance with our Audit Plan. There were no issues to report in this regard.</p>
<p><i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i></p>	<p>We undertook our work in accordance with our Audit Plan. There were no issues to report in this regard.</p>
<p><i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i></p>	<p>We issued our Audit Certificate on 28 September 2015 on completion of our work. There were no issues to report in this regard.</p>

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 28 September 2015.

We reported our key findings arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Corporate Governance Panel on 16 September 2015.

We wish to draw the following points, included in that report, to your attention in this letter.

Pensions liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire Pension Fund, for which Huntingdonshire District Council is an admitted body. Your net pension liability at 31 March 2015 was £80 million (2014 - £61 million).

We reviewed the reasonableness of the assumptions underlying the pension liability and we undertook audit work on the data supplied to the actuary on which to base their calculations. We have no matters to draw your attention to in this regard.

As part of our audit procedures we receive information under a protocol from the external auditors of the Cambridgeshire County Council Local Government Pension Scheme, which provides assurance over the existence and valuation of scheme assets in particular. Consistent with our prior year *Report to the Corporate Governance Panel*, as expected we identified a difference between the estimated scheme assets used within the actuarial calculation and the actual scheme assets held by the pension fund as at 31 March 2015. In

comparing the asset value per the actuary's report to the admitted body's share of the audited pension fund assets, we are comparing two estimates. In effect we are using the estimated percentage share of the audited assets figure to assess the reasonableness of the actuary's estimate. In our view as a firm, and consistent with the prior year, a reasonable threshold would be +/- 5% of the asset value and our work did not identify any differences above this threshold.

Valuation of Property, Plant and Equipment

The Authority holds a significant property, plant and equipment (PP&E) portfolio and, in common with other authorities, each year a number of significant judgements are required in order to generate the figures in the financial statements.

The final accounts include total PP&E with a net book value of £65.5m, largely made up of land and buildings (net book value of £48.6m). The Authority has utilised the expertise of an external valuation expert, Barker Storey Matthews (BSM), to value a proportion of the Authority's PP&E and investment properties. The Authority operates a 3 year cycle of revaluation and this year (year 2) covered £9.3million of land and buildings, resulting in an upward revaluation of £150k.

Leisure Centres represent the largest element of the Council's estate, and these have not been valued during 2014/15 as they were revalued in 2013/14. BSM have however determined that there is no material impairment to recognise against the carrying value of those assets in 2014/15.

Our valuation expert considered the following items when reviewing the valuation:

- The valuer's qualifications, credentials and objectivity;

- The suitability of the methodology adopted in valuing the assets;
- The key inputs in the valuations, where visible: and
- The valuer's assessment of movements in assets which have not been revalued.

Our valuation experts have concluded that we are able to rely on the work of BSM to gain assurance over the valuation of PPE.

NDR Safety Net Calculation

In August the Department for Communities and Local Government release a revised calculation template for the non-domestic rates safety net calculation. As a result of the revised calculation the Authority's position in respect of 2014/15 moved from a levy position of £72,000 to a safety net provision of £772,000, a total increase of £845,000.

We have considered the revised calculation and concluded that the calculation is appropriate. We have also considered the guidance issued by CIPFA and the relevant standards and concur with the Council's treatment that this is a non-adjusting event. Therefore the Council has correctly not recognised this change in revenue in 2014-15. The additional income will thus be recognised in 2015-16.

Provision against Non-Domestic Rates Appeals

Each year the Authority provides against appeals made against non-domestic rates assessments. At 31 March 2015 the total provision in the Collection Fund stands at £8.3million, an increase from last year's provision which was £5.1m. The Council in turn reports 40% of this provision in its own accounts, being £3.1m.

The Council utilises the services of an external expert, Analyze Local, to inform their provisioning, as they did last year.

The level of provision is driven by three key factors: the number of claims; the success rates on appeal, and the average value of successful appeals. The number of claims

has risen in 2014/15 due to a 31 March 2015 deadline being set nationally for historic claims. This would be expected to increase the level of provision required, but we would also expect that management's estimate take account of the fact that a number of these late claims may be of lower merit and more speculative than those in the past. We challenged management to show that this had been factored into the expert's estimate. Management's view is that there is currently no evidence on which to reduce the provision to account for speculative appeals and therefore it would not be appropriate to do so.

In order to assess the reasonableness of management's estimate, we have conducted a high level review based on the historic success rates of appeals in 2014/15, and the average amount of such successful claims. This suggests that the Authority's provision may be overly prudent, with the 2014/15 estimate being £2.5m greater than our calculation. The amount recognised in the Collection Fund in respect of these appeals is £8.3m.

In conjunction with the lack of adjustment of later claims to reflect their probably lower likelihood of success this may indicate a material overstatement of this provision in the Collection Fund, but not the Council's own financial statements as reported, as the Council only bears 40% (c£1m) of these costs.

We discussed this difference in estimation with the Authority and their experts. Whilst the methodology used by the experts appears reasonable, it was not possible for us to explain the apparent difference in our estimations. We therefore believe that the Authority's estimate may be over prudent.

This is however a difference in judgement on estimations and not fact, and is not material to the accounts of the Authority. Consequently we do not consider this an error for inclusion in the Summary of Uncorrected Misstatements for the Authority. However, we draw this judgement to the attention of the Authority as a key estimate in the accounts, and strongly recommend that the Authority continues to review

this provision in future years, particularly as more historic data becomes available over time, to ensure that it represents your best estimate of the likely costs.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

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

To reach our conclusion, we carried out a programme of work that was based on our risk assessment.

We issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources. However, we found the following matters which we wish to bring to your attention:

- The recurring funding gap identified by the Authority for each year of the Medium Term Financial Strategy (MTFS) is as follows:
 - 2015/16: (£0.8m)
 - 2016/17: £0.3m
 - 2017/18: £1.5m
 - 2018/19: £2.1m
 - 2019/20: £2.4m

- The total savings required over the first five years of the MTFS are therefore £5.5m
- We have considered and discussed the emerging savings options with officers, in order to understand the current plans to address the funding gap. We note that the key element of the plan is the implementation of the Authority's zero -based budgeting (ZBB). This approach, although not fully rolled out across the Authority, has identified a number of areas of potential savings.
- We also considered the significant underlying assumptions the Authority have applied in producing their MTFS. We note that the Council's plans do not include an annual uplift for cost inflation. We discussed this with officers and challenged whether this assumption was valid: they confirmed this was a deliberate method to drive more efficiency into budgets, such that budget holders would be required to mitigate any inflationary increases by implementing mitigating savings. We recalculated the future funding gap if the Authority were to take account of an estimated average rate of inflation of 2% per annum. This had the effect of increasing the funding gap from £5.5m to £21.2m over the MTFS.
- The Authority has £19.3m of usable reserves and maintains these at what they believe is a prudent level determined by the Authority (there is no minimum level set by policy). When the above analysis is factored in, however, this would leave the Authority with an additional £1.9m of savings to identify over the MTFS. On that basis, even if no compensating savings were achieved to offset inflation, the Authority's reserves would be adequate to cover the deficit until the final year of the MFS.

In reaching a conclusion we have considered the findings above as well as the Authority's historic record in delivering savings; the monitoring and reporting arrangements in the place and the governance structure in place.

We have also considered other factors, such as the revision to the safety net calculation (as noted above) which has increased income for 2015/16 by £845,000, and which is therefore upside not currently included in the MTFS.

In undertaking this work, we did not identify any matters, in relation to the arrangements in place at the Council to secure financial resilience that would cause us to modify our Use of Resources conclusion. Clearly, however, the ongoing achievement of savings, together with the impact of future financial settlements should remain a key focus for the Council, not least as the Council cannot continue to reach financial balance through the use of historic reserves.

Annual Governance Statement

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

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

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The Authority was below the threshold for detailed testing and this was confirmed to the National Audit Office via submission of our Assurance Statement on 28th September 2015.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2013/14 to those charged with governance in February 2015. We certified 1 claim worth £36,537,686. A qualification letter was required to set out the issues arising from the certification of the claim. These details were also set out in our Annual Certification Report for 2013/14. We expect to issue the Annual Certification Report for 2014/15 in early 2016.

Other matters reported to those charged with governance

These are the control recommendations that we consider to be **most significant** for the Authority and have been raised with those charged with governance. Other, less significant recommendations have been brought to the attention of the Head of Resources.

Recommendation	Management Response	Target Implementation Date
<p>No formal authorisation process for journals</p> <p>The current policy for journal review is that any journals over £850k raised by the junior accounting team are reviewed. No other review is carried out</p>	<p>As noted, where an accountant below Principal Accountant level generates a journal of more than £850,000, this is reviewed by either a Principal Accountant or the Accountancy Manager (this does not apply to “interface” journals).</p> <p>For journals below £850,000 that are produced by an accountant below Principal Accountant, a new process will be introduced whereby a random 10% sample of journals will be reviewed by either a Principal Accountant or the Accountancy Manager.</p>	October 2015
<p>Bank reconciliations</p> <p>The authority is in the process of rectifying historic reconciling items on the bank reconciliations, however, there are still a number of reconciling items that date back a number of years. Furthermore, there is no evidence that the bank reconciliations are reviewed.</p>	<p>With regard to historic balances within the bank reconciliation, these have been removed, and were removed in Period 13 of 2014/15.</p> <p>All bank reconciliations from September 2015 onwards will be reviewed by the Accountancy Manager.</p>	September 2015
<p>No formal authorisation process for fixed asset disposals</p> <p>The authority does not have any formal process for reviewing or authorising fixed asset disposals</p>	<p>A formal Disposals and Acquisitions Policy: Land and Property was approved by Cabinet on Thursday 18th June 2015.</p>	Implemented
<p>Depreciation Policy</p> <p>Fixed assets are not depreciated in the first year of purchase so depreciation on newly purchased assets is understated. We are comfortable that this does not cause a material misstatement, however, management should consider including a</p>	<p>The Depreciation Policy will be updated for the 2015/16 Annual Financial Report.</p>	March 2016

note in their accounting policies to state
this

Final Fees

Final Fees for 2014/15

We reported our fee proposals in our audit plan. Our actual fees were in line with our proposals as detailed below.

	2014/15 outturn	2014/15 fee proposal	2013/14 final outturn
Audit work performed under the Code of Audit Practice	70,981	70,981	70,081
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Certification of Claims and Returns	18,380 ⁺	18,380	26,269
Non Audit Work – External audit local risk work	7,500 ⁺	7,500	13,753
TOTAL	96,861⁺	96,861	110,103

* Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in December within the Certification Report to Management in relation to 2014/15 grants. We have undertaken additional work due to issues identified, although these do not materially impact the financial statements.

+Additional fees proposed will also need to be approved by PSAA.



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

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Internal Audit Service: Interim Progress Report
Meeting/Date: Corporate Governance Panel – 2 December 2015
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Ward(s) affected: All Wards

Executive Summary

This report details the work completed by the Internal Audit Service during the period April to October 2015 and associated performance issues.

During the reporting period it should be noted that:

- 1 'substantial', 7 'adequate' and 1 'little' assurance opinions were issued.
- There has been a steady improvement with the introduction of agreed audit actions. For the year ending 31 October, 70 actions (94%) of the 74 due, have been introduced.
- Three of the four service performance targets have been met.
- 90% of customers who have returned 'end of audit' survey forms, rated the value of the audit undertaken as good or very good.

The Internal Audit & Risk Managers opinion on the Council's internal control environment and systems of internal control as at 31 March was that it provided adequate assurance over key business processes and financial systems. From the work that has been completed, that opinion remains unchanged.

The auditor seconded for a year to the post of Accountancy Manager in October 2014 is now remaining in that post until April 2016. The contract of the temporary auditor appointed in June 2015 has also been extended to the same date.

No IT audit reviews have been completed in the period. This is due to the IT audit contract that ended in January 2015 not being re-let. The Internal Audit & Risk Manager took the decision not to re-let the contract on account of:

- Uncertainty as to which authority would become the employing authority for the IT service under the shared services project; and
- The work that he has been requested to undertake to examine the options for developing an alternative internal audit service delivery model.

Whilst the Council is now responsible for delivering the shared IT service, at the time of writing this report, no decision has been taken on the future service delivery model for internal audit. An update will be provided at the meeting. In accordance with the Panel's terms of reference, the Panel will be formally consulted before any changes to the current arrangements are introduced. Once the shared service decision is known, and if it is appropriate to do so, contractors will be appointed to undertake IT audit reviews during the current financial year. This will leave the option available to seek a

longer term partner from 2016/17 onwards who will not only provide IT audit services but also provide advice on developing an alternative service delivery model.

Whilst the lack of IT audit is of concern, Panel need to be aware that some of the risks associated with the lack of audit reviews has been mitigated by the Cabinet Office renewing the Council's Public Services Network (PSN) compliance certificate until the 13th November 2016. This certification shows that the Council has demonstrated that its infrastructure is sufficiently secure that our connection to the PSN does not present an unacceptable risk to the security of the network.

As has been reported to the Panel previously, there have been significant problems with the audit actions database. IT colleagues have agreed that it should be replaced with commercial software. A product has been identified and the system is planned to 'go live' from April 2016.

In accordance with the Internal Audit Charter, the Internal Audit & Risk Manager continues to report functionally to the Corporate Governance Panel and administratively to the Head of Resources. He has maintained organisational independence and 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.

Recommendation(s):

It is recommended that the Panel in considering the report, note the following:

1. The Internal Audit & Risk Managers "adequate assurance" opinion over the internal control environment and system of internal control;
2. Whilst no IT audit reviews have been completed in the financial year to date, the assurance that can be obtained from the Council obtaining Public Sector Network compliance; and
3. A replacement audit actions monitoring system is to be purchased.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 This is an interim report detailing the performance of the Internal Audit Service for the period April to October 2015.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Panel (who fulfil the role of the Board, as defined by PSIAS) receive an annual report on the work of the Internal Audit Service. Best practice suggests that an interim report should also be presented, to keep the Panel aware of any issues of concern that have been identified and the progress achieved with the delivery of the audit plan.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 The interim report on the Internal Audit & Risk Manager is attached at Appendix A .

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 The residual risk score for this risk is low. The controls associated with the risk are reviewed regularly by the Internal Audit & Risk Manager.
- 5.3 The Head of Resources is aware of the issues regarding the lack of IT audit reviews and problems with the audit actions database.
- 5.4 Whilst the lack of IT audit is of concern, Panel need to be aware that some of the risks associated with the lack of audit reviews have been mitigated in part by the Council having had renewed until November 2016 its Public Services Network (PSN) compliance certificate.

PSN compliance shows that the Council has demonstrated that its security arrangements, policies and controls are sufficiently rigorous that its external facing IT systems are protected from unauthorised access or change. Compliance allows the Council to use the PSN and interact with others connected to it.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 6.1 There are two area were action needed to be taken:

- the appointment of IT auditor contractors to undertake specialist IT reviews. A decision on how to proceed will be taken once it becomes clear how internal audit services are to be delivered in the future; and
- the introduction of a new audit actions systems. This is planned to be in place by April 2016.

7. LINK TO THE CORPORATE PLAN

- 7.1 The Internal Audit Service provides assurance to both 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 The costs associated with both the delivery of IT audit and the replacement audit action system can be met from existing budgets. .

11. OTHER IMPLICATIONS

- 11.1 None

12 REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 The report is for information purposes and Panel are requested to note its contents.

13. LIST OF APPENDICES INCLUDED


Appendix 1 – Interim Internal Audit progress report

BACKGROUND PAPERS

Internal Audit Reports
Internal Audit Performance Management Information

CONTACT OFFICER

David Harwood, Internal Audit & Risk Manager

 **01480 388115**

INTERNAL AUDIT SERVICE

Performance Report : April To October 2015

1. DELIVERY OF THE 2015/16 AUDIT PLAN

1.1 Panel approved the Internal Audit Plan (consisting of 25 reviews and 5 continuous audit areas, audited quarterly) at its March 2015 meeting.

1.2 As at March 2015 the service had been unable to recruit to the vacancy that it had been carrying since October 2014. A cautious approach was taken as to the number of audits that could be delivered during the year. The vacant post was filled in June 2015 with a professionally qualified and experienced auditor. Consequently six audits have been added to the plan.

- Management of ill health and sickness
- Project management of the capital plan
- Business continuity
- Licensing
- Implementation of policy initiatives
- Tenders & quote procedures - review of current procedures

1.3 Four audits have been deleted from the original plan.

- Delivery of affordable housing. Deleted due to the service undertaking work in this area as part of preparing the Local Plan.
- Building control and legal shared services. The employing authority for both services is Cambridge City Council and they will be taking the lead on reviewing both services.
- Staff appraisal scheme. The scheme was fundamentally changed from April 2015. This area will be reviewed during 2016/17.

Only one audit has been introduced in their place – a construction contract review of the One Leisure St Ives redevelopment. Time allocated for the remaining audits has been spent on non-audit areas, primarily assisting the Monitoring Officer with a Standards complaint and undertaking the shared internal audit service review.

1.4 The nature of internal audit work is such that the audit plan changes frequently. It is formally reviewed at the end of each quarter. Adjustments may need to be made to the audit plan to respond to changes that are occurring within the Council and so ensure that resources are focused on the most appropriate areas. All changes to the audit plan have been notified to the Panel Chairman.

1.5 Audit reports that have been issued in the period are listed in the table below together with the assurance opinion that has been given. Copies of the reports have been circulated to the Panel by email.

Audit area	Level of assurance ¹				Agreed action status	
	Substantial	Adequate	Limited	Little	Red	Amber
Procurement : Enforcement contract	✓✓				--	--
Roles and duties of S151 & Monitoring Officer		✓			--	2
Payroll : deductions		✓			--	--
Charging for Council services		✓			--	4
One Leisure: Control of income		✓			--	6
Housing benefits : overpayments		✓			--	3
CCTV		✓			1	3
Compliance with the transparency code		✓			1	7
Licensing				xx	2	1

¹ Appendix 1 contains information that explains the four assurance levels.

In addition to the reports listed above, reviews have also been completed on the following areas. No assurance opinions were given:

- Legal Debt Recovery
- Community Chest grants (draft report)
- A review of the data matches identified from the National Fraud Initiative.

1.6 The table at 1.5, does not include the work that has been undertaken in respect of the continuous auditing of key controls within the main financial systems of:

- Council Tax;
- National Non Domestic Rates;
- Main Accounting System (incl. bank reconciliations); and
- Accounts Payable (Creditors).

Reviews have been conducted on a quarterly basis within these areas. A number of minor control failings have been identified and reported to the appropriate manager.

1.7 No continuous audit reviews of the Accounts Receivable (Debtors) system have been undertaken in 2015/16. The annual audit report considered by the Panel in July 2015 stated that the accounts receivable system had been given a little assurance opinion. To address this, the Head of Resources intended to undertake a comprehensive and fundamental review of the systems and procedures in place. This review has still to be completed. Consequently the Internal Audit & Risk Manager decided that any further reviews would be of little value until the review has been completed. Audits of this system will recommence once new working practices have been introduced.

1.8 Debts that remain uncollected through the accounts receivable process are passed to Legal Services to collect. A review of the legal debt recovery system quickly identified that very limited recovery action had taken place since October 2014. The audit was curtailed and the findings reported to the appropriate manager. An experienced debt collection officer was subsequently appointed (on a temporary basis) to restart the process of debt recovery. There remains an ongoing risk that debts may not be pursued, recovered or may become time-barred.

- 1.9 Internal Audit has also undertaken work in a number of other areas. These include:
- A review of the construction contract for the redevelopment of One Leisure St Ives. It is anticipated that the contractors final account for the scheme will reduce as a consequence of the review
 - Assisting the Monitoring Officer in reviewing a Standards complaint
 - Responding to whistleblowing allegations
 - Supporting the Panel in the annual governance review, the preparation of the annual governance statement, its effectiveness review and annual report
 - Attending five quotation openings
 - Reviewing the tender and quote opening procedure
 - Updating the anti-fraud & corruption strategy
 - Responding to CIPFA on the proposed new governance framework.

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

2. IT AUDIT & FUTURE INTERNAL AUDIT SERVICE DELIVERY

- 2.1 There have been no computer audit reviews undertaken in the reporting period.
- 2.2 The computer audit contract ended on 31 January 2015. At that time it was unclear how IT services would be delivered to the Council under the shared services project. The Internal Audit & Risk Manager decided not to retender the IT audit contract until it became clear what role and responsibilities the Council would have in delivering those services. He was unwilling to commit the Council contractually to the provision of an IT audit service, if the Council subsequently did not become the employing authority for the IT shared service
- 2.3 As was reported to Cabinet in July, Internal Audit Services have been considered for inclusion in phase two of the shared service project. The Internal Audit & Risk Manager has led on reviewing alternative service delivery options for internal audit across the three partner Council's. No decision has yet been taken on what option is to be followed.
- 2.4 Whilst the Council has become the employing authority for IT staff and responsible for the delivery of IT services to the three Councils, services, due to uncertainty over the future model of internal audit service delivery, the Internal Audit & Risk Manager again took the decision not to seek tenders from IT audit suppliers. Once a decision on the service delivery model for internal audit is known, it is anticipated that contractors will be appointed to undertake IT audit reviews during the current financial year. This will leave the option available to seek a longer term partner from 2016/17 onwards who will not only provide IT audit services but also provide advice (if required) on developing an alternative internal audit service delivery model.
- 2.5 Panels terms of reference require it to be consulted by the Responsible Financial Officer on proposals for the appointment of external providers of internal audit services and/or shared internal audit services. A report will be presented to a future Panel meeting on service delivery options.

3. IMPLEMENTATION OF AGREED ACTIONS

- 3.1 A separate report on the implementation of agreed audit actions is included on the Panel agenda .
- 3.2 It is noticeable that the action the Panel took in raising the matter of poor performance in this area with Council (and subsequently with Cabinet) has resulted in managers paying more attention to ensuring actions are introduced on time or requesting extensions of time to the agreed deadlines. Performance for the year ending October, shows that 94% of audit actions (70 actions of the 74 due) have been introduced.
- 3.3 As has been reported to the Panel previously, there have been significant problems with the SharePoint audit actions database. Colleagues from the Information Management Division now believe that a full rebuild of the system is required. They are unable to do this due to other commitments and support the purchase of commercial software. A product has been identified. Its initial purchase and maintenance costs will be £5000. These costs can be met from existing budgets. The new system is planned to 'go live' from April 2016.

4. Issues of Concern

- 4.1 The annual audit report for the year ending March 2015, identified as an issue of concern the e-recruitment system.
- 4.2 Following the audit review, internal audit and the Council's contract manager meet with LGSS (who supply the e-recruitment system) to discuss the issues raised. It was agreed that the Council and LGSS would investigate each of the audit findings and then decide upon the action to be taken. A number of changes to the system have been introduced. In addition, the Council was to request that LGSS commission their own internal audit service to review the e-recruitment system so that they could provide assurance that it is robust and working effectively and not exposing the Council to any significant risks. It is understood that this review has not yet been requested, but is due to be requested at the next contract management meeting.

5 Internal Audit's Performance

- 5.1 Details of Internal Audits performance against its service plan performance targets are shown below.

Customer Satisfaction

Target: 85% or more of auditees rating service quality as good or better.
Achieved: 12 months to October 2015 - 90% (from 10 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 improvement or unacceptable. Target information is calculated on a rolling twelve month basis rather than by financial year.

Service Delivery Targets

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

	Target	Performance achieved				
		@ 03/14	@ 10/14	@ 03/15	@ 10/15	
a) Complete audit fieldwork by the date stated on the audit brief.	75%	63%	60%	46%	33%	✘
b) Issue draft audit reports within 15 working days of completing fieldwork.	90%	62%	70%	87%	92%	✓
c) Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report.	75%	79%	95%	87%	77%	✓
d) Issue final audit report within 5 working days of receiving full response.	90%	83%	85%	92%	90%	✓

6. Service Developments

- 6.1 One service development area was agreed for 2015/16 – a review of the role of the Internal Audit Manager against the Cipfa publication “The role of the head of internal audit in public sector service organisations”.
- 6.2 The review has not yet started. Whilst it hoped that it will be completed by March 2016 it is not seen as a high priority and may be postponed depending on other time commitments.
- 6.3 The Internal Audit & Risk Manager was appointed to the CIPFA Audit Panel in June 2015. It has been agreed that the Council will allow him to attend Panel meetings within Council time, but work to support the Panel will be undertaken in the Officer’s own time.

Appendix 1 : Definition of the levels of assurance

CONTACT OFFICER

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

Levels of Assurance - Definitions

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>

**Public
Key Decision – No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Audit Actions

Meeting/Date: Corporate Governance Panel – 2 December 2015

Executive Portfolio: Resources: Councillor J A Gray

Report by: Internal Audit and Risk Manager

Ward(s) affected: All Wards

Executive Summary:

Performance information for the implementation of agreed internal audit actions for the year ending 31 October 2015 is shown below (and in detail at Appendix 1).

Status of Action				
	Introduced on time	Introduced Late	Not introduced	TOTAL
Red Action	10	2	2	14
Amber Action	51	7	2	60
Total	61	9	4	74
% age	82%	12%	6%	
Target	100%			

4 actions have not been introduced, and of these 2 are more than 6 months late.

The performance information has been prepared from the audit actions e-database. This sits on the Council's intranet and is managed by Internal Audit. It is designed to be accessed and updated by Managers who have been allocated actions (through the agreed final internal audit report).

The performance information is produced monthly. Managers are reminded at the mid-point of each month to review any outstanding actions, to update the progress / implementation status or to contact the Internal Audit team if they consider that they are unable to achieve the agreed date.

Recommendation(s):

It is recommended that the Panel note the report.

This page is intentionally left blank

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

1.1 The report provides the Panel with details of the implementation rates achieved by Managers in respect of agreed internal audit actions.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

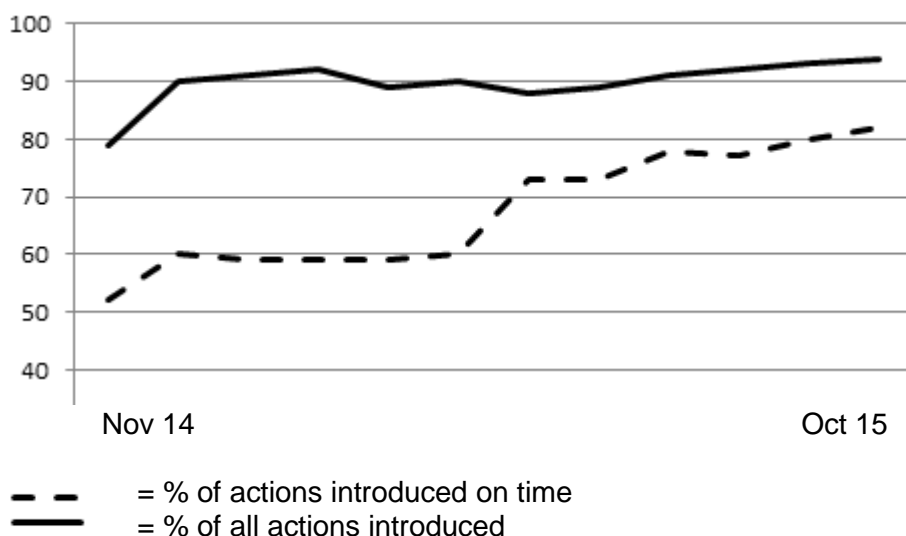
2.1 Panel have previously been concerned with the poor levels of performance in achieving the introduction of agreed internal audit actions. Whilst the Managing Director has reported to the Panel that delivery of the actions is to be a priority for the Management Team, the Panel felt that it needed to take positive action to support them in improving performance and requested that a report on performance be presented to each Panel meeting until such time that performance was considered 'satisfactory'.

3. ANALYSIS

3.1 Corporate Management Team have set a target of 100% of agreed internal audit actions should be introduced on time.

3.2 The performance for the year ending 31 October 2015 shows that target has not been achieved, with 82% (61 in number) of agreed audit actions introduced on time. A further 12% (9 in number) of the agreed audit actions have been introduced, but late. There remains 6% (4 in number) outstanding. A detailed breakdown is available at Appendix 1.

3.3 Despite the target not being achieved, performance is improving as the graph below shows.



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

4.1 Monitoring the introduction of agreed audit actions is an important management responsibility. The Panel need to have confidence that action is being taken by the agreed deadline to improve the governance and internal control framework and/or further mitigate unacceptable levels of risk.

4.2 The successful implementation of agreed internal audit actions is an indicator of the control tone across the Council and enables it to demonstrate that it maintains high standards of governance and internal control.

5. LINK TO THE CORPORATE PLAN

5.1 The Internal Audit Service provides independent, objective assurance to the Council by evaluating the effectiveness of risk management, control, and governance processes. It identifies areas for improvement across these three areas such that Managers are able to deliver the Corporate Plan objectives as efficiently, effectively and economically as possible.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications arising from this report.

7. RESOURCE IMPLICATIONS

7.1 There are no financial implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

8.1 The report is for information only. It contributes to the Panels understanding of the improvements being made to the Council's governance and internal control framework.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Implementation of Agreed Internal Audit Actions as at 31 October 2015.

BACKGROUND PAPERS

Agreed audit actions database

CONTACT OFFICER

David Harwood – Internal Audit and Risk Manager
Tel No. 01480 388115

Implementation of Agreed Internal Audit Actions as at 31 October 2015.

Head of Service	Actions Introduced on Time	Actions Introduced on Time	Actions Introduced on Time and Late	Actions Introduced on Time and Late	Not Introduced		Total Actions Due in 12 Month Period
	Number	Percentage	Number	Percentage	Red	Amber	
Managing Director	0	0%	0	0%	1	0	1
Corporate Team Manager	11	85%	12	92%	0	1	13
Corporate Director, Services							
Head of Resources	4	44%	9	100%	0	0	9
Head of Customer Services	37	95%	39	100%	0	0	39
Head of Operations	---	---	---	---	---	---	0
Corporate Director, Delivery							
Head of Development	---	---	---	---	---	---	0
Head of Community	4	80%	4	80%	1	0	5
Head of Leisure & Health	5	71%	6	86%	0	1	7
Total	61	82%	70	94%	2	2	74
Target		100%					

Red Actions: These are actions that must be implemented as the current exposure to risk is unacceptably high, indicating a major control weakness. Actions will be given a red priority when the residual risk identified may adversely affect the annual governance statement, result in the loss of funds or assets, or lead to service delivery failures which could adversely affect the Council's reputation.

Amber Actions: These are actions that managers should consider introducing as the current risk exposure is high. Control weaknesses have been identified that have the potential to compromise internal control, operational effectiveness or service delivery. Actions will be given amber priority when the residual risk has identified non-compliance with established good practice, the lack or failure of performance management or reporting systems, or failures in subsystems.

This page is intentionally left blank

**Public
Key Decision – No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Work Programme & Training
Meeting/Date: Corporate Governance Panel – 2 December 2015
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Ward(s) affected: All Wards

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.

At the September meeting it was proposed that the training session in advance of the March 2016 meeting would consider the new constitution. It is proposed that training prior to the June Panel meeting will focus on work undertaken to manage the risk of fraud and corruption, and in July consider the role of internal audit.

Panel will also be aware that following discussions between the Panel Chairman and the Managing Director it was agreed that a report would be presented to this meeting that discussed options for a future work programme. Due to other commitments on Officer time and with the agreement of the Panel Chairman, that report has had to be deferred. It will be presented to the Panel in March 2016.

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 note the programme of work and the training that is proposed for the March, June and July 2016 Panel meetings.

Background papers

None

Contact Officer

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

This page has been left intentionally blank

Anticipated Programme of Work

March 2016

Progress on introducing external audit recommendations 2014/15
 External audit: audit plan and grant claims
 Accounting policies
 Internal audit plan
 Progress on issues raised in the 2014/15 annual governance statement
 Risk management
 Implementation of agreed audit actions

June 2016

Review of the internal audit service and charter
 Internal audit annual report & opinion
 Corporate fraud team investigation activity
 Whistleblowing : policy review & concerns received
 Implementation of agreed audit actions

July 2016

Annual effectiveness review of the Panel and annual Panel report to Council
 Approval of the 2015/16 annual governance statement
 Implementation of agreed audit actions

September 2016

Approval of the statement of accounts
 External audit – ISA 260 report
 Risk management
 Implementation of agreed audit actions

December 2016

External Audit – annual audit letter
 – grant certification 2015/16
 Annual reports – freedom of Information
 – business continuity planning
 Internal audit interim progress report
 Implementation of agreed audit actions

In addition to the items listed above, reports may also be required to be submitted on an ad-hoc basis (e.g. effectiveness reviews of Panels/Committees, constitution matters).

This page is intentionally left blank