

A meeting of the **CORPORATE GOVERNANCE COMMITTEE** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON PE29 3TN** on **WEDNESDAY, 7 DECEMBER 2016** 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 27 September 2016.

**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 - 18)

To receive the Corporate Governance Panel Progress Report.

**M Sage
388169**

4. MEMBERS' ALLOWANCES SCHEME - CORPORATE GOVERNANCE COMMITTEE (Pages 19 - 20)

To consider an adjustment to the Members' Allowances Scheme following the review of the Council's Constitution and recommend to Council the proposed changes to the Constitution.

**L Jablonska
388004**

5. PROGRESS REPORT ON BUSINESS CONTINUITY PLANNING (Pages 21 - 24)

To outline progress made on updating Business Continuity Plans.

**A Dobbyne
688100**

6. EXTERNAL AUDITOR - PUBLIC SECTOR AUDIT APPOINTMENTS LTD (PSAA) (Pages 25 - 30)

To consider the options for appointing an External Auditor from 2018/19 and to recommend the preferred option to Council.

**C Mason
388157**

**A Forth
388605**

7. INTERNAL AUDIT SERVICE: INTERIM PROGRESS REPORT (Pages 31 - 40)

To receive an interim report detailing the performance of the Internal Audit Service for the period April to October 2016.

**D Harwood
388115**

8. IMPLEMENTATION OF INTERNAL AUDIT ACTIONS (Pages 41 - 44)

To provide an update on the progress made in implementing agreed internal audit actions due to be introduced during the year ending 30 October 2016.

**D Harwood
388115**

9. SKILLS, KNOWLEDGE AND EFFECTIVENESS REVIEW (Pages 45 - 48)

To inform the Committee of the results of the skills and knowledge self-assessment.

**D Harwood
388115**

Dated this 29 day of November 2016



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, Tel: 01480 388169/email 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.

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HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon PE29 3TN on Tuesday, 27 September 2016.

PRESENT: Councillor M Francis – Chairman.

Councillors K M Baker, E R Butler,
Mrs S Conboy, D B Dew, Mrs L A Duffy,
R Fuller, T Hayward, Mrs R E Mathews and
R J West.

APOLOGY(IES): Apologies for absence from the meeting were submitted on behalf of Councillors J E White.

IN ATTENDANCE: .

22. MINUTES

The Minutes of the meeting of the Committee held on the 20th July 2016 were approved as a correct record and signed by the Chairman.

23. MEMBERS' INTERESTS

No declarations were received.

24. CORPORATE GOVERNANCE PANEL PROGRESS REPORT

The Committee received and noted a report on progress (a copy of which is appended in the Minute Book) detailing progress of decisions and action taken at previous meetings. In so doing, Councillor T Hayward drew Members attention to the action of re-establishing the Member Development Working Group that had been closed and his concerns for the lack of attendance by Members at training events. The Chairman undertook to raise the issue further at a forthcoming meeting with the Executive Leader.

With reference to the request for completion of a skills audit by Members, the Internal Audit and Risk Manager confirmed that five forms were still outstanding and urged those Members to complete their returns.

25. COMPLAINTS - ANNUAL REPORT

The Committee received and noted a report by the Policy, Performance and Transformation Manager (a copy of which is appended in the Minute Book) on complaints submitted to the Local Government Ombudsman (LGO) and data relating to Stage 1 and Stage 2 complaints received internally in 2015/16. The Committee was informed that in 2015/16 there were two detailed investigations by the LGO and only one was upheld.

With regard to internal complaints handling, the Committee was

advised that the Council's policy and procedure for recording and monitoring complaints had been reviewed and had resulted in a significant increase in the volume of complaints being recorded. Members' attention was drawn to the absence of data from One Leisure and the Policy, Performance and Transformation Manager advised the Committee that she had been working with the service and others to assist with the identification of formal complaints compared with service resolutions.

In response to a question by Councillor Mrs R E Mathews on the high volume of complaints recorded for the Operations Division, Members were advised that as the system for recording complaints had been revised it had resulted in an increase in the number of logged complaints but distinction had made between a service resolution rather than a formal complaint using an example of a missed bin collection.

The Committee were informed of the procedure for dealing with internal complaints, from service investigations through to independent review before final submission to the LGO if necessary.

With reference to a question from Councillor Mrs S Conboy on the balance of the number of complaints received on planning matters following decisions taken at Development Management Committee compared with decisions taken by Officers under delegated authority, the Policy, Performance and Transformation Manager undertook to provide an analysis following the meeting.

RESOLVED

that the contents of the report be noted.

26. UPDATE ON CODE OF CONDUCT AND REGISTER OF DISCLOSABLE PECUNIARY INTERESTS

By means of a report by the Members' Support Assistant (a copy of which is appended in the Minute Book) the Committee was updated on the adoption of a Code of Conduct by Town and Parish Councils and on the receipt and publication of register of interests forms on behalf of District and Town and Parish Councillors. Members noted that all of the 71 Town and Parish Councils had adopted a Code of Conduct, with 56 based on that adopted by the District Council, 11 had opted for the Code promoted by the National Association of Local Councils and the remaining four Councils had adopted their own version of the Code.

Members were then informed that, of the 71 Town and Parish Councils, 47 had their full Register published, which comprised the Disclosable Pecuniary Interests (DPI) forms of all Councillors, with 24 parishes holding vacancies.

In terms of individual DPIs, 607 out of a total of 650 had been received from Parish Councillors, one was outstanding and 42 were vacancies. The forms of all District Councillors had been published on the Council's website.

RESOLVED

that the contents of the report be noted.

27. SHARED INTERNAL AUDIT SERVICES

The Committee considered a report by the Head of Resources (a copy of which is appended in the Minute Book) to which was attached a Business Case to establish a Shared Internal Audit Service between the Council, Cambridge City and South Cambridgeshire District Council. Attention was drawn to an update in the level on savings identified in Appendix 2 of the Business Case, whereby the figures had been amended for Cambridge City to £24,546, Huntingdonshire to £21,337 and South Cambridgeshire to £6,336 to bring them in line with the protocol utilised for the identification of savings in accordance with the previous shared service models.

The Head of Resources advised the Committee that the employing authority would be South Cambridgeshire District Council for the Shared Audit Service (SAS) and drew Members attention to Appendix A of the report that highlighted the benefits of the proposal. The savings identified had been targeted at £51.9k for 2017/18 and the Council's liability for the initial set up costs would be £10k to be funded from Special Earmarked Reserves.

Arising from a comment from Councillor Mrs S Conboy on the high level of non-productive time recorded, the Internal Audit and Risk Manager confirmed that the level had been high across the three authorities and advised Members of how the target to reduce levels by March 2019 would be achieved. Councillor Mrs Conboy further highlighted her concerns with the proposal urged that consideration be given to prioritisation of the Council's risks, together with allowance of a 'break clause' in the contract.

In response to a question from Councillor Ms L A Duffy on why South Cambridgeshire had been nominated as the employing authority, the Head of Resources had confirmed that they had put themselves forward for the role. Councillor Ms Duffy further drew attention to the suggested resilience that would ensue with the SAS and reported upon her concerns that the high quality of audit service that the Council had currently supplied could be diluted with the requirement to support the other local authorities. The Head of Resources confirmed that when the Council had entered into an agreement to share services with the other authorities it had been considered that the Internal Audit Service would be a prime service to share, creating greater resilience but not necessarily generating savings.

Councillor T Hayward commented upon his concerns for not being the lead authority and how the SAS may not have the advantage of understanding how the Council works and functions, comparing such a scenario to External Audit if the service is extended further to include Peterborough City Council. The Head of Resources confirmed that there had been no proposals to include Peterborough and had expected the level of internal audit service provided to be of the standard that is currently being provided.

Councillor D Dew referred to the previous services that had been implemented as a shared service at the authority and commented that

the Council currently had no evidence to support the success of these services to proceed further with another service, making particular reference to the staffing issues recently experienced in the Building Control Service. In concurring with the sentiments of Councillor Dew, Councillor R J West referred to the different performance standards across the three authorities with differing productivity levels and his concern for the timescale of two years to achieve standard working practices when the Council currently had an Internal Audit Service that met our requirements.

In referring to the reasoning behind the previous shared service agreements on a financial basis, Councillor R Fuller outlined his concerns for the SAS proposal that had not concentrated on the financial justification but rather the resilience. In so doing, Councillor Fuller stated that he had not been made aware of any issues with the current Internal Audit Service and could not support the justification in the Business Case.

In supporting the comments that Members had made previously, Councillor E R Butler confirmed that the savings identified did not warrant the argument for proceeding with the proposal. Councillor Mrs R E Mathews further highlighted concerns with the proposal and made particular reference to the external independent review and external assessment that the Council had achieved previously but the other authorities had not been at the same standard and not been reviewed in the same way.

In concluding the discussion, the Chairman supported the views of the Committee and invited Members to attend the meeting of the Cabinet on the 20th October 2016 to support the Chairman in presenting their comments. Whereupon, the Committee

RESOLVED

- (a) that the Cabinet be recommended not to proceed with the Business Case for the establishment of a Shared Audit Service; and
- (b) that the Chairman be requested to attend the meeting of the Cabinet on the 20th October 2016 to present the comments of the Committee.

28. COMPUTER AUDIT PLAN

With the aid of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Committee has been apprised of arrangements in place for the delivery of computer audit services. In so doing, Members attention was drawn to the 2015/16 Internal Audit Service Annual report that had highlighted the lack of computer audit reviews and importance placed upon providing key IT systems and reliance upon which the Council had been leading on for the 3C Shared Service ICT.

The Committee was advised of the competitive tender exercise that had been undertaken and the appointment of BDO LLP to support the

Internal Audit Service in undertaking computer audit reviews for the period October 2016 to March 2019.

In referring to the work plan of seven key areas to focus upon, the Committee confirmed their support, in particular the emphasis on cyber security and the Financial Management System. In accordance with the Public Sector Internal Audit Standards, the Committee

RESOLVED

that the Computer Audit Plan 2016/17 be approved.

29. IMPLEMENTATION OF AGREED AUDIT ACTIONS

Further to Minute No. 21 of the meeting held on the 20th July 2016 and by way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Committee was presented with an update of the current position with regard to the implementation of agreed audit actions in light of Members concerns raised previously.

Members' attention was drawn to a summary of performance as at 31st August 2016 and the target set by Corporate Management Team that 100% of agreed internal audit actions should be introduced on time. Officers with responsibility for each audit action are required to provide an update of progress and until immediately prior to the meeting an update had not been provided for three audit actions under the responsibility of the Head of Community. The Internal Audit and Risk Manager acquainted the Committee with a verbal update in relation to the appointment of a Single Point of Contact (SPoC), whereby he advised that the post of CCTV Manager was currently vacant and the job description and person specification would be updated to reflect inclusion of the SPoC role. The Codes of Practice for CCTV systems had been established and implemented and as such would now be subject to a review by Internal Audit. The last outstanding action by the Head of Community referred to Licensing, rather than CCTV, and the Internal Audit and Risk Manager confirmed that an audit trail was held in the Licensing software system.

Councillor Mrs S Conboy suggested that the recording system could be improved by way of inclusion of a further date indicating the timescale if audit actions are not being implemented on time. In response, the Internal Audit and Risk Manager advised Members that there was currently no facility to add a secondary date but undertook to revisit this issue outside of the meeting. Furthermore, the Committee was advised that the software system '4Risk' had been procured on the understanding that it had the ability to issue reminders but this had not been available and was currently being pursued with the supplier.

In referring to the percentage of audit actions that been introduced on time versus those that had been introduced late, Councillor Ms L A Duffy sought reassurance from Senior Management Team that such actions were being taken seriously, whereby the Chairman undertook to keep this as a live issue on the Committee's Work Plan and raised the suggestion of inviting the relevant Executive Councillor along to a future meeting. The Internal Audit and Risk Manager suggested that

an update could be provided at a future meeting and a decision be taken by Members as to whether the Executive Councillor be invited to attend following receipt of the September and October updates.

RESOLVED

- (a) that the progress achieved in the implementation of agreed internal audit actions be noted; and
- (b) that following circulation of the September and October 2016 reports of implementation of agreed audit actions to Members, consideration be given to inviting the relevant Executive Councillor to the meeting of the Committee on the 7th December 2016 as necessary.

30. MISCELLANEOUS INCOME - PERFORMANCE REVIEW

Further to Item No. 11 of the meeting held on the 8th June 2016 and by way of a report by the Head of Resources (a copy of which is appended in the Minute Book) the Committee were acquainted with an update on the Miscellaneous Income (Debtors) Service that had been recommended to be included within the Annual Governance Statement 2015/16.

Attention was drawn to issues within the Debt Management Team, the miscellaneous debt position as at 31st March 2016 and a comparison with the position as at 31st August 2016, highlighting progress made during the year to recover the outstanding debt. Members noted that the debt position had reduced by £800k and the Council's decision not to write off some significantly old debts. The Head of Resources also reported upon the significant increase of debts raised in 2016/17 to £1.2m that had been achievable by a change in working practices, with responsibility for raising debts transferred back to the relevant service, clearer payment plans and a more stable Team in place.

The Committee were pleased to note the progress that had been achieved to date that had been largely achievable by the transfer of debt administration functions back to services. The Internal Audit and Risk Manager reported upon his review of the Debtors Service and undertook to review the Service again in October 2016 to determine whether the key controls that had been established had been working effectively. A further update on progress would be included in the update report provided by the Internal Audit and Risk Manager at their meeting in December 2016.

RESOLVED

that the contents of the report and progress made in relation to the recovery of outstanding debt be noted.

31. RISK MANAGEMENT UPDATE

The Committee were acquainted with a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) on the management of risks across the Council and a summary of the current position. Having been advised that the Cabinet had recently

approved an updated Risk Management Strategy at their meeting on 22nd September 2016, a review had been undertaken by Senior Management Team of the content of the risk register resulting in a reduction in the number of risks from 143 to 89.

Members were reminded that responsibility for risk management had been transferred to the Cabinet and the Committee's responsibility now was to ensure that the correct procedures remain in place.

In drawing attention to the percentage of controls with limited assurances, the Internal Audit and Risk Manager concurred with the concerns of Members and reported that he had not had the opportunity to investigate the areas affected by these assurance levels. He advised the Committee that Managers were required to update the controls every six months and a reminder had been presented to Corporate Management Team to this effect.

In response to a question from Councillor Hayward on the frequency of exercises undertaken by the Council in the event of a major catastrophe or power failure, the Internal Audit and Risk Manager confirmed that they had been carried out previously in accordance with the Business Continuity Plan but was not aware of any recent exercises. In discussing such scenarios with the Council's new insurers, they had confirmed that the Council should continue with the exercises, whereby the Internal Audit and Risk Manager undertook to discuss the issue further with the Corporate Team Manager.

In noting that the Overview and Scrutiny Panel (Performance and Customers) and the Cabinet regularly review the corporate risk register, the Committee

RESOLVED

that the Committee are satisfied with the current risk management procedures in place in light of the comments highlighted above.

32. APPROVAL OF THE 2015/16 ANNUAL FINANCIAL REPORT AND ANNUAL GOVERNANCE STATEMENT INCLUDING EXTERNAL AUDITOR'S 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 for the publication of the Council's Annual Governance Statement (AGS), Annual Financial Report (AFR) for 2015/16 and Letter of Representation in accordance with statutory regulations and to be approved and published by the 30th September.

The Head of Resources reported upon the appointment of Ernst and Young as the Council's new external auditors and introduced Mr N Harris, Executive Director and Mr T Poynton, Audit Manager as their representatives to present the Audit Results Report.

Mr Harris outlined their responsibilities of issuing an opinion and a value for money opinion and informed Members that Ernst and Young had concluded their review and had been satisfied to issue an

unqualified opinion and value for money opinion that the Council had proper arrangements in place to achieve value for money. In thanking the Head of Resources and his Officers for their support in the process, Mr Harris reported upon some difficulties they had experienced but had worked through these in a professional way.

In referring to the uncorrected audit differences in Appendix A of the report now submitted, Mr Harris reported that they had not been considered material for adjustment to be made by management but necessary to be brought to the Committee's attention. Attention was also drawn to the identification of further audit differences as outlined in Appendix B to the report now submitted that necessitated correction by management within the revised financial statement.

The Committee noted a decrease in the materiality from £1.75m to £1.73m that had been reassessed based upon the actual results for the financial year due to lower gross revenue expenditure in 2015/16 than the previous year.

Mr Harris referred to the difficulties encountered during the audit outlined above and following the conclusion of the audit Members noted that it may be necessary for a further fee to be charged to cover these issues resulting in some delay in the completion of the report. With reference to these issues, the Chairman questioned whether Ernst and Young had supplied enough resources, whereby Mr Harris confirmed that the resource level had not been as good as it could have been and this would be taken into account when any additional fees are levied.

In response to a question from Councillor T Hayward on the statement that in 2018 the report had to be completed by the end of July, Mr Harris reported that the 40% level of other audit work undertaken by the end of March would increase to 60% and there would be more work undertaken on internal controls and testing, with more estimation work through principles agreed previously with the local authority.

Arising from a question from Councillor Mrs S Conboy on the Council's budget and concerns for sustainability, Mr Harris praised the Council's exercise on Zero Based Budgeting designed to achieve a level of sustainability and stated that the Council had an adequate level of reserves, but had also been looking at other ways of earning income through a prudent and risk based approach.

In response to a question from Councillor R Fuller on clarity of the uncorrected audit difference sum, the Head of Resources reported that the £258k had not been accounted for on the balance sheet and not recorded in the correct place. He assured Members that this situation would not arise again.

In referring to a question from the Chairman on the level of pension fund and change in its valuation, the Head of Resources reported that the valuation is obtained from an actuary but had been revised this year to reflect a change in market conditions such as investments and other liabilities but had been of an adequate level.

With reference to the significant movement in our usable reserves as

identified in the Annual Financial Report, the Head of Resources explained the background to the adjustments in the General Fund Balance to General Fund Reserves and the transfer in of £7.6m for the procurement of commercial assets.

In referring to concerns from Members regarding the whether the borrowing of finance had been reviewed, Mr Harris confirmed that this issue would be addressed in the 2016/17 audit. The Head of Resources assured Members that the borrowing had been made on a prudential basis to ensure that the returns would cover the investment made.

Having expressed appreciation to the Officers involved in producing the AGS and AFS and also to the External Auditors for their work this year, the Committee

RESOLVED

- (a) that the External Auditor's Results Report attached as Appendix A to the report now submitted be received;
- (b) that the Annual Governance Statement attached as Appendix B to the report now submitted be approved and that the Executive Leader and Managing Director be authorised to sign the Statement on behalf of the Council;
- (c) that the Letter of Representation attached as Appendix C to the report now submitted be approved and the Head of Resources be authorised to sign the Letter on behalf of the Council; and
- (d) that the Annual Financial Report attached as Appendix D to the report now submitted be approved and the Chairman of the Committee and Head of Resources be authorised to sign the accounts on behalf of the Council.

33. CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT

The Committee was presented with the draft Annual Report of the Committee (a copy of which is appended in the Minute Book) in respect of the year ending 30th September 2016 which provided a summary of its work regarding the Council's internal control and governance environment.

Members' attention was drawn to the legislative changes that would bring forward to 31st July 2018 the date by which the 2017/18 Annual Accounts and Annual Governance Statement had to be approved and the proposal that the reporting period of any future report be changed from September to March.

In referring to the 'Introduction by the Chairman of the Committee', it was requested that reference be made to the significant changes that had been made to debt collection and the Internal Audit and Risk Manager undertook to draft a paragraph to reflect these changes. Whereupon, the Committee

RESOLVED

- (a) that the comments in relation to debt recovery should be reflected in the introduction of the Annual Report;
- (b) that the Chairman be authorised to make any changes as necessary to the report;
- (c) that future Annual Reports be prepared and reported for each financial year.

Chairman

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
08/06/2016	<p><u>Internal Audit Service: Annual Report And Internal Audit Charter Review</u></p> <p>Further to Minute No.11 of the meeting on 8 June 2016, the Committee agreed that the need to improve debt management was an issue for inclusion in the Annual Governance Statement.</p>			Internal Audit and Risk Manager	Yes
27/09/2016	<p><u>Miscellaneous Income - Performance Review</u></p> <p>The Committee were pleased to note the progress that had been achieved to date that had been largely achievable by the transfer of debt administration functions back to services.</p>	07/12/2016	<p>At the Committee meeting on 27/09/2016 the Internal Audit and Risk Manager reported upon his review of the Debtors Service and undertook to review the Service again in October 2016, to determine whether the key controls established had been working effectively.</p> <p>A further update on progress was included in the Implementation of Agreed Audit Actions report, listed as an item of business on the Agenda.</p>		
16/06/2016	<p><u>Scoping Report for Business Continuity Planning</u></p> <p>The Corporate Governance Committee agreed that the</p>	Update report to	<p>This has been further discussed with Senior Management Team and it was agreed that a one</p>	Corporate Team Manager	Yes

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	<p>Corporate Team Manager be tasked to follow up on the recommendations from the review by the Business Analyst and look to:</p> <ul style="list-style-type: none"> i. prepare a new Template for the Business Continuity Plan; ii. consider having one organisational Plan with appendices that provide additional information per Service where relevant; iii. review roles and responsibilities and confirm these to all concerned; iv. review the management of the plans and the mechanism of storage and accessibility; v. organise for an annual test of the new Plan; vi. schedule an audit for early 2017 by Internal Audit, after the Plans have been updated and the test carried out; and vii. undertake a review of the various scenario Plans 	<p>Corporate Governance Committee 07/12/2016</p>	<p>Organisational Plan approach would be followed.</p> <p>Discussions had been held with IT on some file storage issues.</p> <p>The template was prepared in July and a first draft of a new Plan was issued in September.</p> <p>A Business Continuity Planning Update Report was listed as an item of business on the Agenda</p>		

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	<p>(e.g. adverse weather, fuel shortages).</p> <p>It was also agreed that the Corporate Governance Committee receive a Business Continuity Planning update report at its December meeting.</p>				
<p>20/07/2016</p> <p>27/09/2016</p>	<p><u>Implementation of Internal Audit Actions</u></p> <p>Due to the deteriorating position with the introduction of agreed internal audit actions, the Committee requested an update on the current position.</p> <p>This was provided at the Committee meeting in September 2016. In referring to the percentage of audit actions that been introduced on time versus those that had been introduced late, reassurance was sought from Senior Management Team that such actions were being taken seriously.</p> <p>Following circulation of the September and October 2016 reports of implementation of agreed audit actions it was</p>		<p>A report on Implementation of Agreed Audit Actions was listed as an item of business on the Agenda</p>	<p>Internal Audit and Risk Manager</p>	<p>Yes</p>

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	resolved to consider inviting the relevant Executive Councillor to the meeting of the Committee on the 7 December 2016 as necessary.				

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Members' Allowances Scheme – Corporate Governance Committee
Meeting/Date:	Corporate Governance Committee – 7th December 2016 Council – 21st December 2016
Executive Portfolio:	Executive Councillor for Strategic Resources – Councillor J A Gray
Report by:	Elections and Democratic Services Manager (LJ)
Ward(s) affected:	None

Executive Summary:

The Members' Allowances Scheme is enclosed in Part 6 of the Council's Constitution. It is reviewed every four years by an Independent Remuneration Panel. The Scheme was last reviewed in May 2015 after consideration of the outcome of the Review of Members' Allowances by the Independent Remuneration Panel. The Council at their meeting held on 20th May 2016 agreed that no changes be made to the existing Members' Allowances Scheme.

As a result of a review to the Council's Constitution that was approved at the meeting of the Council held on 23rd March 2016, it was agreed that the former Standards Committee be incorporated into the Terms of Reference of the new Corporate Governance Committee and membership increased. In the light of the additional responsibilities of this Committee, it has been suggested that the Members' Allowances Scheme be updated to make changes to the Special Responsibility Allowances for the Chairman and Vice-Chairman of the Committee.

Recommendation:

That Part 6 of the Council's Constitution be updated to increase the Special Responsibility Allowances for the Chairman and Vice-Chairman of the Corporate Governance Committee to reflect the same level as the Chairman and Vice-Chairman of the Employment Committee and that the Council be recommended to approve the appropriate adjustments to be backdated to 18th May 2016.

1. PURPOSE OF THE REPORT

- 1.1 As the Corporate Governance Committee is responsible for reviewing and recommending to Council proposed changes to the Constitution, this report outlines the minor adjustment to be made to Part 6 – the Members' Allowances Scheme following the review of the Council's Constitution.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Council undertook a review of the Council's Constitution and approved changes at their meeting on 23rd March 2016. The former Standards Committee was deleted and the Terms of Reference of the Corporate Governance Committee was amended to include responsibility for their functions. This includes functions relating to the conduct of Members to be considered by a sub-committee of Corporate Governance.
- 2.2 A Review of Members' Allowances was undertaken by the Independent Remuneration Panel in May 2015 and since the last review the Corporate Governance Committee has also acquired the Audit function, as well as the changes outlined in paragraph 2.1 above. Although the Council agreed to make no changes to the existing Members' Allowances Scheme in May 2015, the Independent Remuneration Panel recommended that the Chairmen and Vice-Chairmen of the Employment Committee and Corporate Governance Committee are paid the same Special Responsibility Allowance. Currently there is a differential of £811 and £278 between the Chairmen and Vice-Chairmen of both Committees respectively.

3. RESOURCE IMPLICATIONS

- 3.1 In accordance with the current Members' Allowances Scheme approved in May 2011 and reconfirmed at Council in May 2015, the Chairman's Allowance would result in an increase of £811 per annum and £278 per annum for the Vice-Chairman's allowance.

4. REASONS FOR THE RECOMMENDED DECISIONS

- 4.1 As a result of changes to the Terms of Reference of the Corporate Governance Committee following a review of the Council's Constitution, it is recommended that the Members' Scheme of Allowances be amended to increase the Special Responsibility Allowances of the Chairman and Vice-Chairman to bring them in line with the Chairman and Vice-Chairman of the Employment Committee to reflect the additional responsibilities that the Committee has assumed.

BACKGROUND PAPERS

Constitution – the Council's current Constitution is available for review and comparison on the Council's website.

<http://www.huntingdonshire.gov.uk/media/1367/constitution.pdf>

The Seventh Report of the Independent Remuneration Panel – May 2015

CONTACT OFFICER

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Progress Report on Business Continuity Planning
Meeting/Date: Corporate Governance Committee 7 December 2016
Executive Portfolio: Cllr Cawley, Organisation and Customer Services
Report by: Adrian Dobbyne, Corporate Team Manager
Ward(s) affected: All

Executive Summary:

Progress is on target to complete the revisions to the Business Continuity Plans and our approach to business continuity management to be completed by the end of December 2016. It is clear what the next steps are and who is to undertake them and it has been agreed to complete this work in the timescale advised with plans in place with Internal Audit to then undertake a test of the Plan in Quarter 4 2016/17.

The new Plan will follow a template as advised by the Government.

Recommendation(s):

Members are asked to comment on the report indicating the progress made in revising the Business Continuity Plans.

1. PURPOSE OF THE REPORT

- 1.1 This is to outline the progress made on updating our Business Continuity Planning at Huntingdonshire District Council.

2. BACKGROUND / UPDATE

- 2.1 Corporate Governance Committee received a report on 7 June 2016 and agreed the following actions with regards Business Continuity Planning (BCP):

- Prepare a new Template for the Business Continuity Plan;
- Consider having one organisational Plan with appendices that provide additional information per Service where relevant;
- Review roles and responsibilities and confirm these to all concerned;
- Review the management of the plans and the mechanism of storage and accessibility;
- Organise for an annual test of the new Plan;
- Schedule an audit for early 2017 by Internal Audit, after the Plans have been updated and the test carried out; and
- To undertake a review of the various scenario plans (e.g. adverse weather, fuel shortages) in place.

Taking each of these actions in order, this is the progress that has been made.

- 2.2 A new template is currently in draft form. This is actually changing the nature of the template as we are following a recently issued template from the Government. Although it covers similar areas to our previous template, it does change the emphasis in a few places. For example, there are more details on what is required to restore services such as staffing levels, locations, resources, data and therefore the dependencies, to be clear on how we can be up and running after a disruption to services provision. It will also enable a clearer set of priorities to be made to avoid duplications. For example, we only need to state once (listed under Resources) that financial systems need to be up and running to make payments, rather than state them in the list of priorities for all Services. A key aspect of the current work is to really challenge some assumptions made in the Plan, so that the Senior Management Team (SMT) are absolutely clear that they are priority activities within the correct timescales needed for restoration of services. If it is not a priority, then it is not in the Plan.
- 2.3 There will be one organisational wide Plan. This will confirm all the priority activities to be reinstated in specific timescales and will include a set of generic actions to mitigate hazards / risks that apply in most cases to all Services. This follows the principle that the actions to mitigate against the loss of people, IT, accommodation, utilities etc. are generally common across all Services and any specific activity needing further actions can be held within teams. It does look though that we will have a specific additional Plan for Customer Services. This is still to be finalised, but some specific actions required within this Service do look as if they would be best supported by their own unique Plan and it will help to keep the organisational Plan to a manageable size.
- 2.4 There has been a revision to the roles and responsibilities. In most cases, the approach has been to specify job roles that have a responsibility rather than the detailed list of names of Officers in the previous Plan. This prevents the Plan from getting or at least looking out of date so early and encourages a more flexible approach to managing business continuity, where the role can signpost where to look for support so that if the post holder is not available, other Officers can step in.

- 2.5 The current management arrangements for the Plan are cumbersome and what is obvious is that as people have left the organisation or changed roles over the past 2 years, we have had little control over any returns or removal of the Plans in either hard copy or electronic through memory sticks (they do contain some confidential information). We will take steps to retrieve all Plans where they are no longer required. Our SharePoint site on our Intranet where Plans and supporting documentation is kept is populated with loads of documents. A more controlled management of the Plan will be introduced and outlined in the Plan and a clear up of the data on the Intranet undertaken.
- 2.6 Internal Audit were due to carry out an audit on business continuity and this was postponed to enable this review of our arrangements to be carried out first. We are scheduling in for the period January – March 2017 for the audit to take the form of a series of tests to check many of the assumptions of the Plan.
- 2.7 In 2017/18, we will undertake a desk top scenario planning exercise of the Plan. This will follow the Plan being updated following the outcomes based on the findings of the tests.

3. KEY IMPACTS / RISKS

- 3.1 There is a key risk that if our plans are not maintained and fit for purpose, we are not able to manage effectively any scenario that calls into play our business continuity arrangements. Although the current plans can be used with adaptability and application from Managers, the risk is that this would slow up any response and so limit our effectiveness.

4. TIMETABLE FOR IMPLEMENTATION

- 4.1 It is expected that a draft of the new Plan will be presented to SMT in December, with a final version produced in January 2017.

5. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES

- 5.1 This links to the Corporate Plan Strategic Priority of “Becoming a More Efficient and Effective Council”.

6. RESOURCE IMPLICATIONS

- 6.1 The resources required the next stages are for the Corporate Team Manager to complete the first draft which requires SMT to complete their revisions of the service priorities to enable an up to date schedule to be included. In order to produce the final version, SMT will be required to answer the impact analysis as per the template. The Plan when completed in January will be subject to a test by Audit, which has been scheduled into the revised 2016/17 Audit Plan.

7. OTHER IMPLICATIONS

- 7.1 There are no other implications to consider.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 That this is the best use of our resources to make amendments to the Business Continuity Plans at the levels suggested to keep the plans relevant and fit for purpose.

BACKGROUND PAPERS

None applicable

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**Public
Key Decision – Yes**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: External Audit – Public Sector Audit Appointments Ltd (PSAA)

Meeting/Date: Corporate Governance Committee – 7 December 2016

Executive Portfolio: Councillor J A Gray – Executive Councillor for Strategic Resources

Report by: Head of Resources

Ward(s) affected: All Wards

Executive Summary:

Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to establish an Auditor Panel and conduct their own procurement exercise.

Recommendation:

To recommend to Council that the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

1. PURPOSE OF THE REPORT

- 1.1 To consider the options of appointing an external Auditor from 2018/19 and to make the recommendation to Council.

2. BACKGROUND

- 2.1 As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government (DCLG).
- 2.2 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.

3. OPTIONS FOR APPOINTING EXTERNAL AUDIT CONTRACT POST 2017/18

- 3.1 There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).
- 3.2 Under the legislation each Local Authority has 3 options:
- i) Opt in to an approved sector led body (SLB) to be specific by DCLG to act as the Appointing Person on behalf of opted in Local Authorities.
 - ii) To establish an independent Audit Panel. The Panel must be made up of a majority of wholly independent members and must be chaired by an independent member.
 - iii) Establish a joint Auditor Panel to carry out the function on behalf of two or more bodies.
- 3.3 The main advantages of using PSAA are set out in its prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.
- Assure timely auditor appointments
 - Manage independence of auditors
 - Secure highly competitive prices
 - Save on procurement costs
 - Focus on audit quality
 - Operate on a not for profit basis and distribute any surplus funds to scheme members.

- 3.4 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement undertaken by this Council or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an Auditor Panel and conducting our own procurement.
- 3.5 The other Options have been considered and these are shown below:
- Option ii) To establish an Auditor Panel and conduct own procurement – this is not recommended as it will be a far more resource intensive process and without the economies of scale of the sector led procurement and would likely to result in a more costly service.
 - Option iii) To establish a joint Auditor Panel to carry out the function on behalf of 2 or more bodies – this is not recommended because following consultations with Cambridge City Council and South Cambridgeshire District Council there is little appetite for a joint procurement.
- 3.6 The date by which authorities will need to opt in to the appointing person arrangements is 9 March 2017. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation this Committee is asked to make the recommendation to Council.

4. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- 4.1 The appointment of an external Auditor is a statutory and legal requirement and links into the Corporate Plan by “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”.

5. LEGAL IMPLICATIONS

- 5.1 The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

6. RESOURCE IMPLICATIONS

- 6.1 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

7. REASONS FOR THE RECOMMENDED DECISIONS

- 7.1 It is likely that a sector wide procurement conducted by the PSAA will produce better outcomes for the Council than any procurement undertaken by the Council or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an Auditor Panel and conducting the procurement.

8. LIST OF APPENDICES INCLUDED

- 8.1 Appendix 1 – Invitation to opt in to the national scheme for Auditor appointments

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Text of email sending invitation to opt in to all principal LG bodies

To: [email address for Chief Executive and Director of Finance for each audited body]

cc: [monitoring officer]

Date: 27 October 2016

Subject: [Name of audited body]

Invitation to become an opted-in authority

The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations)

Public Sector Audit Appointments Limited (PSAA), being an appointing person for the purposes of the Regulations, invites [name of audited body] (the authority) to become an-opted in authority in accordance with the Regulations.

Further information is contained in the opt-in letter and additional information attached to this email. The length of the compulsory appointing period is the 5 consecutive financial years commencing 1 April 2018.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision can be taken by the holder of that office.

The closing date to give notice to PSAA of the authority's acceptance of our invitation is: **9 March 2017**.

A form of notice of acceptance is enclosed with this invitation to opt in. The notice of acceptance must be sent by email to: appointingperson@psaa.co.uk and must be received before **5pm on Thursday 9 March 2017**.

PSAA confirms it is willing to receive notices of acceptance by email to this address and will confirm receipt of all notices of acceptance by email.



Jon Hayes
Chief Officer

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Internal Audit Service: Interim Progress Report
Meeting/Date:	Corporate Governance Committee – 7 December 2016
Executive Portfolio:	Strategic Resources: Councillor J A Gray (Deputy Executive Leader)
Report by:	Internal Audit & Risk Manager
Wards affected:	All Wards

Executive Summary

This report details the work completed by the Internal Audit Service during the period April to October 2016 and associated performance issues.

The Internal Audit & Risk Manager's opinion on the Council's internal control environment and systems of internal control as at 31 March 2016 was that it provided adequate assurance over key business processes and financial systems. From the work that has been completed since, that opinion remains unchanged.

During the reporting period it should be noted that:

- 1 'substantial', 8 'adequate' and 8 'little' assurance opinions were issued. Eight of the reports related to the 2015/16 audit plan.
- Changes have been required to the audit plan, resulting in the removal of seven and addition of two audits. The net removal of five audits is due to a substantial amount of additional time being spent on preparing the shared service business case, completing audits from the 2015/16 plan and additional work having to be completed on three audit areas.
- Two of the four service performance targets have been met.
- 100% of customers who returned 'end of audit' survey forms rated the value of the audit undertaken as good or very good.
- An IT audit partner, BDO, have been appointed and delivered two of their seven planned audits.
- 4Action, a commercial product that allows for real-time updating and reporting on the implementation of audit actions, went live in April 2016.

In accordance with the Internal Audit Charter, the Internal Audit & Risk Manager continues to report functionally to the Corporate Governance Committee 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.

At the September meeting, Committee rejected plans for the formation of a shared internal audit service across the 3Cs. The Cabinet subsequently agreed and deferred making a decision as to whether to establish a shared internal audit service to a later date.

Recommendations:

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

1. The Internal Audit & Risk Manager's unchanged opinion of 'adequate assurance' over the internal control environment and system of internal control;
and
2. The internal audit plan as agreed by Committee in March 2016 is unlikely to be fully delivered this year.

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 2016.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Committee (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 Committee aware of any issues of concern that have been identified and the progress achieved with the delivery of the audit plan.

3. ANALYSIS

- 3.1 The progress report (April-October 2016) on the Internal Audit Service is attached at Appendix A.
- 3.2 The September 2016 Committee meeting considered a business case that proposed that the Internal Audit Service become part of an internal audit shared service across the 3Cs. The Committee did not support the proposal; neither did the Cabinet when they considered the business case report at their October meeting. The Cabinet resolved to not proceed with the business case for the establishment of a Shared Audit Service, [and] for the matter to be considered at a later date.
- 3.3 No further work on the shared service initiative has been undertaken. The internal audit team were generally supportive of moving into a shared service but the certainty of that change has been replaced with varying levels of anxiety, as it is unclear how internal audit will be provided in the future.

4. KEY IMPACTS. HOW WILL THEY BE ADDRESSED?

- 4.1 There has been a net reduction of five audits within the audit plan to date. Non delivery of a substantial part of the internal audit plan may affect the ability of the Internal Audit & Risk Manager to provide the Committee with an opinion on the internal control environment. If this did occur, it would require including in the Annual Governance Statement. Whilst this is unlikely at the current time, any opinion would have to be provided with caveats if insufficient audit reviews were completed.
- 4.2 Projections of auditor time available to 31 March 2017 show that it is unlikely that the five audits removed from the plan will be completed. It should also be noted that due to changing risks and priorities the five audits that have been removed may not be automatically included in next year's plan.

5. LINK TO THE CORPORATE PLAN

- 5.1 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.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications arising from this report.

7. RESOURCE IMPLICATIONS

7.1 There are no resource implications arising from this report.

8 REASONS FOR THE RECOMMENDED DECISIONS

8.1 The report is for information purposes and to allow Committee to gain an understand of the views of the Internal Audit & Risk Manager on the internal control environment and systems of internal control.

LIST OF APPENDICES INCLUDED


Appendix A – Internal Audit Interim 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

Interim Progress Report : April To October 2016

1. DELIVERY OF THE 2016/17 AUDIT PLAN

- 1.1 Committee approved the Internal Audit Plan (consisting of 31 reviews and 5 continuous audit areas, audited quarterly) at its March 2016 meeting.
- 1.2 During the period, the Internal Audit Service has had a full complement of staff. The auditor recruited on a temporary post in June 2015 was made permanent in May 2016.
- 1.3 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, so ensuring that audit time is spent reviewing the most appropriate areas or (as this year) take account of unplanned additional time being spent on audit reviews. This year the plan has also had to be amended to take account of unplanned additional time being spent on completing six reviews – three from the 2015/16 and three from this year's plan.
- 1.4 The amount of unplanned time spent by the Internal Audit team exceeds 80 days. This is exceptional. The audit plan always contains a contingency allowance (20 days) to deal with unforeseen events, however this has proved inadequate this year. The main areas in which unforeseen time has been spent are as follows:

Preparing the internal audit shared services business plan	26 days
Completing 2015/16 audit plan reviews: 3 reviews	15
Undertaking on behalf of the Corporate Director (Delivery) a review of staff restructuring processes and procedures	12
Audit reviews of:	
Overtime	10
Flexi-time Management & Work-life Balance	7
Management of Ill Health & Sickness	7

As result of the time having been spent on the areas above it has been necessary to review the audit plan and remove five audits:

- Lean processes
- Housing – Choice-based Lettings
- Business Continuity
- Equipment Servicing
- Elected Member development

In addition two audits have been removed from the plan and alternatives introduced.

Removed

S.106 Agreements
Management of Health & Safety

Added

Capital plan programming within Services
Legal – management of debt recovery

All changes to the audit plan have been notified to the Committee Chairman and discussed with him.

- 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 final audit reports have been circulated to the Committee by email.

Audit area	Level of assurance ¹				Agreed action status	
	Substantial	Adequate	Limited	Little	Red	Amber
Marketing Strategy & Branding contract *	✓				---	---
LGSS contract management *		✓			1	3
Overtime		✓			1	3
Management of Ill Health & Sickness		✓				9
Management of Vacancies		✓				5
Project Management of the Capital Plan *		✓				4
Bank Reconciliation *		✓				4
Housing Benefits **		✓				1
Planning Application & Development Control Fees		✓			---	---
Flexi-time Management & Work-life Balance			✗		3	4
Effectiveness of the Governance Boards			✗		2	4
Data Protection & Information Management *			✗			10
Information Security *			✗			10
Data Quality & Performance Indicators *			✗			4
Corporate Plan & Service Plans *			✗			4
IT Audits						
Cyber Security **			✗		2	3
Business Application Security **			✗		1	3

¹ Annex A contains information that explains the four assurance levels.

* 2015/16 audit plan reviews. Reports issued in 2016/17.

** 2016/17 audit plan reviews. Draft reports issued at 31 October 2016.

- 1.6 The table above 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;
- Financial Management System (FMS);
- 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 The September quarterly review of the Accounts Receivable (Debtors) system has been completed. This has shown that the agreed key controls are generally effective. Whilst some improvements are still required there has been an

improvement in control compliance. These findings correspond with the statement the Head of Resources made at the September meeting when he presented a specific report on the management of debt.

- 1.8 The 3C Councils have jointly purchased a new FMS – Technology One – to replace each Council’s current FMS. Whilst the systems will run and be managed independently of one another, to make best use of internal audit resources across the 3Cs, internal audit are working with internal audit colleagues at Cambridge City Council (who are lead internal auditors on the Technology One project) to review the controls and new working practices that are to be introduced to support Technology One. A new set of key controls will need to be introduced when the Technology One FMS goes live in April 2017.

The new FMS will be hosted in the ‘cloud’ and BDO are due to undertake a review of cloud security, to ensure that it is being hosted in a safe and secure environment. Audit reports arising from these reviews will be shared across the 3C internal audit teams so that they can be considered as part of the process for delivering the annual internal audit opinion.

- 1.9 Internal Audit has also completed work in a number of other areas. The main areas of note are:

- Identifying areas of non-compliance across the Council (overtime, flexi management, sickness, annual leave, expenses etc.) to assist Corporate Office staff prepare for the newly introduced Managers’ Forums
- Continued involvement in agreeing the contractors final account for the redevelopment of One Leisure St.Ives
- Supporting the Corporate Governance Committee in the annual governance review, the preparation of the Annual Governance Statement and its annual report
- Review of the Whistleblowing Policy and Procedure
- Responding to whistleblowing complaints
- On behalf of the Corporate Director (Delivery) undertaking a review of staff restructuring processes and procedures
- Home Improvement Agency works tender and liaison with Cambridge City Council
- Assurance mapping update
- Attending the Social Media Group and Sickness Focus Group to provide them with advice and insight into the findings from audit reviews
- Attendance at quote openings
- Developing a new Code of Corporate Governance

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

2. IT AUDIT

- 2.1 No IT audit contract was in place when the 2016/17 Internal Audit Plan was approved in March 2016. The Committee were informed at their September meeting that following a competitive tendering exercise BDO had been appointed IT auditors until March 2019. The Committee also agreed the IT audit plan at their September meeting.

- 2.2 BDO have issued two draft IT audit reviews, both with limited assurance. It is anticipated that they will complete a further five reviews this financial year.

3. IMPLEMENTATION OF AGREED ACTIONS

- 3.1 A separate report on the implementation of agreed audit actions for the year to 31 October 2016 is included on the Committee’s agenda.
- 3.2 A sample of actions that have been marked by Manages as fully introduced within 4Action have been reviewed to ensure they are working effectively. All 13 actions reviewed were found to have been introduced.
- 3.3 The new 4action (audit action database) system went live in April 2016 and allows managers to self-monitor their agreed actions. However, the system reminders function did not work properly until mid-October. Consequently, time had to be spent on regularly reminding Managers that actions were due for implementation.

4. ISSUES OF CONCERN

- 4.1 Whilst there have been a number of limited assurance reports issued during the period, there are no issues of specific concern that need to be brought to the attention of the Committee.

5 INTERNAL AUDIT’S PERFORMANCE

- 5.1 Details of Internal Audit’s 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 2016 – 100% (from 13 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. Performance 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				
		@ 10/14	@ 10/15	@03/16	@10/16	
a) Complete audit fieldwork by the date stated on the audit brief.	75%	60%	33%	53%	58%	✘
b) Issue draft audit reports within 15 working days of completing fieldwork.	90%	70%	92%	89%	63%	✘

c) Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report.	75%	95%	77%	84%	82%	✓
d) Issue final audit report within 5 working days of receiving full response.	90%	85%	90%	100%	100%	✓

Annex A : Definition of the levels of assurance

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>

David Harwood, Internal Audit & Risk Manager
Huntingdonshire District Council
November 2016

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Internal Audit Actions

Meeting/Date: Corporate Governance Committee – 7 December 2016

Executive Portfolio: Strategic Resources: Councillor J A Gray (Deputy Executive Leader)

Report by: Internal Audit & Risk Manager

Wards affected: All Wards

Executive Summary:

The Committee have requested information in respect of the progress made with introducing agreed internal audit actions. Performance for the year ending 30 October is summarised below.

	Introduced on time	Introduced Late	Not introduced	Total
Red actions	4	12	1	17
Amber actions	28	40	8	76
Total	32	52	9	93
% age	34%	56%	10%	

The nine actions that have not been introduced are the responsibility of three Managers.

	Total
Head of 3C ICT	4
Head of Resources	3
Managing Director	2

Due to the deadline for the publication of the agenda, it has not been possible to provide performance details in respect of the year ending November 2016. An update will be provided at the meeting.

Recommendation

It is recommended that the Committee consider the report and decide what, if any, further action they wish to take.

1. PURPOSE OF THE REPORT

- 1.1 To update the Committee on the progress made in implementing agreed internal audit actions that were due to be introduced during the year ending 30 October 2016.

2. WHY IS THIS REPORT NECESSARY?

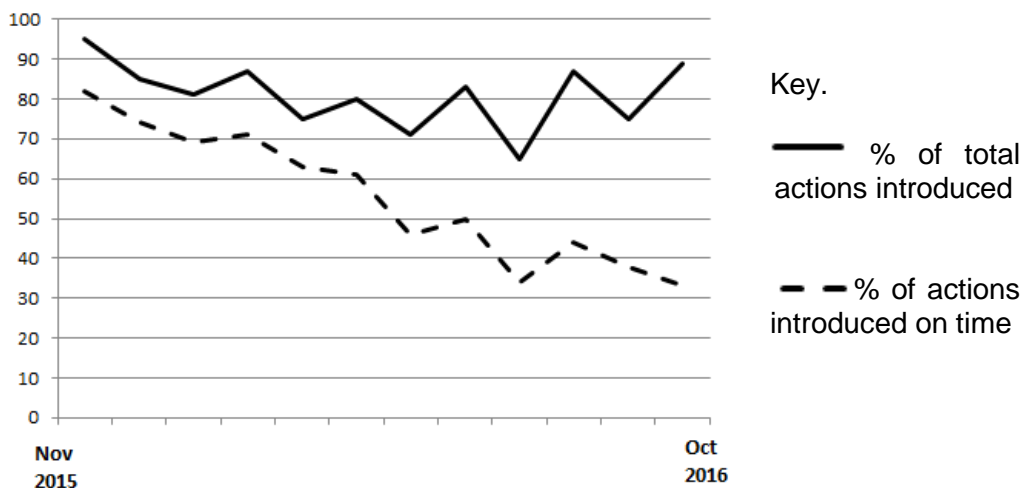
- 2.1 The Committee at their September 2016 meeting expressed concerns at the declining percentage of agreed internal audit actions that had been implemented on time. They requested that an update report be presented to the December meeting.

3. ANALYSIS

- 3.1 100% of agreed internal audit actions are to be introduced on time. That target has been set by the Corporate Management Team.
- 3.2 93 actions were due to be introduced in the year ending 30 October 2016. 34% (32 in number) of those were introduced on time. A further 56% (52 in number) were introduced, but late. The remaining 10% (9 in number) are outstanding. This information is summarised in the table below, which is ordered by percentage of actions introduced on time.

	Introduced on time		Total Introduced on time & late		Not introduced		Total
Head of Customer Services	10	83%	12	100%			12
Corporate Director – Services	2	67%	3	100%			3
Managing Director	5	50%	8	80%	2	20%	10
Head of Development	1	50%	2	100%			2
Head of Community Services	1	33%	3	100%			3
Corporate Office Manager	6	29%	21	100%			21
Head of Leisure & Health	4	29%	14	100%			14
Head of Resources	3	13%	20	87%	3	3%	23
Head of Operations	0	0%	1	100%			1
Head of 3C ICT	0	0%	0	0%	4	100%	4
Totals	32		84		9		93
		34%		90%		10%	

- 3.3 Overall performance across the year ending 30 October 2016 is shown below.



- 3.4 The performance information in the report has been prepared from the 4action system. It is the responsibility of Managers to access and update the system with details of the action they have taken.

4. KEY IMPACTS

- 4.1 It is important that the Council maintains a sound internal control environment. Actions that the Internal Audit Service propose to address risk and control weaknesses are discussed with Heads of Service and if appropriate Directors and agreement reached as to any corrective action that needs to be taken. Internal audit actions are not imposed on management.

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. RESOURCE IMPLICATIONS

- 6.1 There are no direct resource implications arising from this report.

7. REASONS FOR THE RECOMMENDED DECISIONS

- 7.1 The report has been requested by the Committee and as such they need to decide what further action they wish to take in respect.

BACKGROUND PAPERS

Audit actions contained within the 4action system

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Skills, Knowledge and Effectiveness Review
Meeting/Date:	Corporate Governance Committee – 7 December 2016
Executive Portfolio:	Strategic Resources: Councillor J A Gray (Deputy Executive Leader)
Report by:	Internal Audit & Risk Manager
Wards affected:	All Wards

Executive Summary:

Committee Members have self-assessed their skills and knowledge across nine key work areas (comprising 24 questions). A review of the self-assessments identified that Members have a good knowledge overall across the following four areas of their terms of reference:

- Values of good governance
- Risk management
- Organisational knowledge
- Countering fraud

There is a shortfall of knowledge in the following five areas:

- The Committee's role and functions
- Governance
- Internal audit
- Financial management and accounting
- External audit

It is proposed that in order to improve Members knowledge of the areas listed above, a series of training presentations are delivered by Officers. Training has previously been provided immediately before a meeting and it is proposed that this be reintroduced.

Members of the Committee have regularly reviewed their own effectiveness to identify any areas for improvement. Committee has previously agreed that the effectiveness review will be conducted in early 2017. Previous reviews have been conducted in a variety of ways - full Committee involvement, setting up of a small working group or the Chairman and Vice-Chairman conducting the review. The Committee need to agree a date for the effectiveness review and decide how they wish to undertake it.

Recommendation

It is recommended that the Committee:

1. Agree that a training programme will be agreed with the Committee Chairman and training delivered ahead of Committee meetings; and
2. Agree a date for undertaking their own effectiveness review and the format of that review.

1. PURPOSE OF THE REPORT

- 1.1 To inform the Committee of the results of the skills and knowledge self-assessment undertaken in October 2016.

2. WHY IS THIS REPORT NECESSARY?

- 2.1 The Committee expanded its membership from eight to twelve Members in May 2016. A self-assessment form was sent to all Members to allow them to judge how well they understood the work of the Committee and to allow it to fulfil its Terms of Reference. This report provides a summary of the results and allows the Committee to determine in what areas they feel that further training or learning is required.

3. SKILLS AND KNOWLEDGE SELF-ASSESSMENT

- 3.1 11 self-assessment forms were returned. There were four response options – basic, working, good or expert - to each of the 24 questions asked.
- 3.2 Not unsurprisingly, those Members who have been sitting on the Committee and its forerunner for a number of years have assessed themselves as having a good knowledge in most of the areas. Only two Members regarded themselves as having expert knowledge in any particular area.
- 3.3 It is clear from the responses that the majority of Members consider that they have a good level of knowledge across the following four areas:

Values of good governance	Whistleblowing arrangements in place, arrangements to uphold ethical standards for both Members and Officers.
Risk management	Understanding of the principles of risk management and the risk management policy and risk strategy.
Organisational knowledge	Council objectives and functions, decision making and ethical standards.
Countering fraud	Understanding the main areas of fraud risk the authority is exposed to, arrangements to tackle fraud and the principles of good fraud risk management.

However, two questions within the above areas did not score particularly highly;

- Knowledge of the Seven Principles of Public Life; and
- Understanding the role of members and of the Committee with regards to risk management.

- 3.4 Within the following five areas, the majority of Members had assessed themselves as either having a basic or working knowledge. It is for that reason that these five areas have been selected as forming the basis of the initial training programme.

The Committee's role and functions	Understanding the Committee's role within the governance structure and accountability arrangements.
Governance	Knowledge of the 2016 Constitution and

CIPFA/SOLACE Good Governance Framework and the requirements of the annual governance statement.

Internal Audit	The arrangements for delivery of the internal audit service and how the role of the head of internal audit is fulfilled. The Public Sector Internal Audit Standards (PSIAS).
Financial Management and accounting	The requirements of the role of the Chief Financial Officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, awareness of financial statements and the principles that must be followed to produce them.
External audit	The key reports and assurances that external audit provide, the arrangements for their appointment and monitoring the work they undertake.

4. COMMITTEE EFFECTIVENESS REVIEW

- 4.1 Whilst it is not a statutory requirement, it is considered best practice (both in the public and private sectors) that the 'audit committee' review their own effectiveness. Such reviews have taken place on a regular basis since 2008.
- 4.2 The Internal Audit & Risk Manager has compiled a checklist of more than 70 questions that have been used as the basis for the review. The checklist is reviewed prior to each review to ensure it is still relevant. The checklist is based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) and the National Audit Office good practice documentation supplemented by best practice from across the private sector.
- 4.3 The review has been conducted in a number of different ways. From the Internal Audit & Risk Manager completing the checklist and discussing it with the Chairman and Vice-Chairman, to the full Committee being invited to attend a half day meeting at which the Head of Resources, Internal Audit & Risk Manager and a Democratic Services representative are present.
- 4.4 In previous years the review has been used as an opportunity to consider the Terms of Reference of the Committee and identify any training needs.
- 4.5 The outcome of the review will be reported to a future meeting together with any action plan. The results of the review are also likely to be reported in both the 2016/17 annual governance statement and the Chairman's annual report to Council.
- 4.6 The Committee (having nearly doubled its membership this year) have a number of Members who have not been involved in the effectiveness review previously. They are being invited to consider how they wish the 2017 review to be conducted.

5. KEY IMPACTS

- 5.1 It is important that the Corporate Governance Committee acts effectively and is able to challenge the decisions of Officers with regard to the state of governance across the Council. Committee Members need sufficient skills and

knowledge to be able to understand a wide range of issues that fall within their remit.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Corporate Governance Committee provides oversight to the Council by evaluating the effectiveness of risk management, control, and governance processes. These three areas need to be working as efficiently, effectively and economically as possible, which in themselves are a key strand of the Corporate Plan.

7. RESOURCE IMPLICATIONS

- 7.1 There are no direct resource implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The Committee are being asked to consider how they wish training identified from the skills and knowledge self-assessment to be delivered and how they wish to undertake their own effectiveness review.

BACKGROUND PAPERS

Self-assessment skill and knowledge forms

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