

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, 22 MARCH 2017** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 5 - 6)

To approve as a correct record the Minutes of the meeting held on 25th January 2017.

**L Jablonska
388004**

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 7 - 12)**

To receive the Corporate Governance Panel Progress Report.

**L Jablonska
388004**

4. GRANT CERTIFICATION 2015/16 (Pages 13 - 26)

To consider and comment on a report by the Benefits Development & Support Team Manager to which is attached the External Auditor's Annual Certification Report 2015/16.

**B Huggins
388479
J Taylor
388119
A Burns
388122**

5. CODE OF PROCUREMENT (Pages 27 - 50)

To consider a report by the Head of Resources on the outcome of the annual review of the Code of Procurement.

**N Arkle
388104**

**6. THE CODE OF CONDUCT AND THE REGISTER OF
DISCLOSABLE PECUNIARY INTERESTS (Pages 51 - 58)**

To consider a report by the Members' Support Assistant on the Code of Conduct and the Register of Disclosable Pecuniary Interests.

**L Jablonska
388004**

7. **PROGRESS REPORT ON BUSINESS CONTINUITY PLANNING**
(Pages 59 - 62)

To consider a report by the Corporate Team Manager outlining the progress made in revising the Business Continuity Plans. **A Dobbyne
388100**

8. **EXTERNAL AUDIT PLAN 2016/17** (Pages 63 - 86)

To consider a report by the Head of Resources on the External Audit Plan for 2016/17. **C Mason
388157
A Forth
388605**

9. **EXTERNAL AUDITOR ISA 260 REPORT - IMPLEMENTATION OF RECOMMENDATIONS** (Pages 87 - 90)

To consider a report by the Head of Resources on the implementation of two external audit recommendations. **A Forth
388605**

10. **ACCOUNTING POLICIES FOR ANNUAL FINANCIAL REPORT 2016/17** (Pages 91 - 100)

To consider a report by the Head of Resources recommending changes to the Council's adopted accounting policies. **A Forth
388605**

11. **INTERNAL AUDIT SERVICE: INTERNAL ANNUAL PLAN** (Pages 101 - 108)

To consider a report by the Audit and Risk Manager outlining Internal Audit's annual planning process and seeking approval for the Internal Audit Plan for the period 1 April 2017 to 31 March 2018. **D Harwood
388115**

12. **IMPLEMENTATION OF AUDIT ACTIONS** (Pages 109 - 112)

To consider a report by the Audit and Risk Manager outlining progress in the introduction of agreed internal audit actions. **D Harwood
388115**

13. **PROGRESS ON ISSUES ARISING FROM THE 2015/16 ANNUAL GOVERNANCE STATEMENT** (Pages 113 - 116)

To consider a report by the Audit and Risk Manager detailing progress that has been made in introducing the key improvement areas arising from the 2015/16 Annual Governance Statement. **D Harwood
388115**

14. **REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE COMMITTEE** (Pages 117 - 126)

To consider a report by the Audit and Risk Manager detailing the outcomes of a review of Committee's effectiveness. **D Harwood
388115**

Dated this 14th day of March 2017



Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

- (1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*
- (2) *A Member has a disclosable pecuniary interest if it -*
 - (a) *relates to you, or*
 - (b) *is an interest of -*
 - (i) *your spouse or civil partner; or*
 - (ii) *a person with whom you are living as husband and wife; or*
 - (iii) *a person with whom you are living as if you were civil partners*

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

Non-Statutory Disclosable Interests

- (4) *If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.*
- (5) *A Member has a non-statutory disclosable interest where -*
 - (a) *a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or*
 - (b) *it relates to or is likely to affect a disclosable pecuniary interest, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association, or*
 - (c) *it relates to or is likely to affect any body –*
 - (i) *exercising functions of a public nature; or*
 - (ii) *directed to charitable purposes; or*

- (iii) *one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.*

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

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Please contact Lisa Jablonska, Democratic Services, Tel: 01480 388004 / email Lisa.Jablonska@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 COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon PE29 3TN on Wednesday, 25 January 2017.

PRESENT: Councillor M Francis – Chairman.

Councillors E R Butler, Mrs S Conboy,
Mrs L A Duffy, T Hayward, P Kadewere,
Mrs R E Mathews, R J West and D M Tysoe.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors K M Baker, D B Dew and Mrs A Donaldson.

1. MINUTES

The Minutes of the Corporate Governance Committee meeting held on 7 December 2016 were approved as a correct record and signed by the Chairman.

2. MEMBERS' INTERESTS

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

3. APPOINTMENT OF VICE-CHAIRMAN

Following changes to the membership of the Corporate Governance Committee, it was

RESOLVED

that Councillor D Tysoe be appointed as the Vice-Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

Chairman

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CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
07/12/2016	<p><u>Members' Allowances Scheme - Corporate Governance Committee</u></p> <p>The Corporate Governance Committee:</p> <p>Resolved To Recommend To Council:</p> <p>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 appropriate adjustments be backdated to 18 May 2016.</p>	21/12/2016	Recommendation approved by the Council at its meeting on 21 December 2016.	Elections and Democratic Services Manager	Yes
16/06/2016	<p><u>Scoping Report for Business Continuity Planning</u></p> <p>The Corporate Governance Committee agreed that the Corporate Team Manager be tasked to follow up on the recommendations from the review by the Business Analyst and look to:</p> <p>i. prepare a new Template</p>		<p>This has been further discussed with Senior Management Team and it was agreed that a one 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</p>	Corporate Team Manager	Yes

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	<p>for the Business Continuity Plan;</p> <p>ii. consider having one organisational Plan with appendices that provide additional information per Service where relevant;</p> <p>iii. review roles and responsibilities and confirm these to all concerned;</p> <p>iv. review the management of the plans and the mechanism of storage and accessibility;</p> <p>v. organise for an annual test of the new Plan;</p> <p>vi. schedule an audit for early 2017 by Internal Audit, after the Plans have been updated and the test carried out; and</p> <p>vii. undertake a review of the various scenario Plans (e.g. adverse weather, fuel shortages).</p> <p>It was also agreed that the Corporate Governance Committee receive a Business Continuity Planning update</p>		<p>and a first draft of a new Plan was issued in September.</p>		

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
07/12/2016	<p>report at its December meeting.</p> <p>In noting the progress report on revising the Business Continuity Plans presented to the Committee, it was also requested that a further update report be presented to the Corporate Governance Committee meeting in March 2017.</p>	<p>Update report to be presented to the Corporate Governance Committee on 22 March 2017</p>	<p>One Organisational Plan approach with an additional Plan for Customer Services.</p> <p>Internal Audit would undertake a test of the Plan in Quarter 4 with desktop and scenario planning in 2017/18, the outcomes of which would determine further testing if required.</p> <p>At the scenario planning stage the Committee would be informed to enable the understanding of what was required of the Council.</p> <p>The new Plan was issued in February 2017.</p> <p>A Progress Report on Business Continuity Planning was listed as an item of business on the Agenda.</p>		
07/12/2016	<p><u>External Auditor - Public Sector Audit Appointments Ltd (PSAA)</u></p> <p>The Corporate Governance Committee:</p> <p>Resolved To Recommend To Council:</p> <p>that the Council opt in to the appointing person</p>	21/12/2016	<p>Recommendation approved by the Council at its meeting on 21 December 2016.</p>	Finance Manager	Yes

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	arrangements made by Public Sector Audit Appointments for the appointment of External Auditors.				
20/07/2016	<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>			Internal Audit and Risk Manager	Yes
27/09/2016	<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 taken seriously.</p> <p>Following circulation of the September and October 2016 reports of implementation of agreed audit actions it was resolved to consider inviting the relevant Executive Councillor to the meeting of the Committee on the 7 December 2016 as necessary.</p>				

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
07/12/2016	<p>The Committee discussed options on how best to progress the matter so the number of audit actions improved.</p> <p>The Committee wanted a strong message conveyed to the Corporate Management Team to express the disappointment of the Committee at the continued decline in the percentage of agreed internal audit actions implemented on time.</p> <p>The Executive Councillor for Strategic Resources confirmed that he would discuss the matter with the Managing Director to convey the sentiments of the Committee.</p> <p>The Committee resolved that the Managing Director or one of the Corporate Directors attend a future Corporate Governance Committee meeting to explain the declining percentage of agreed internal audit actions implemented on time.</p>	21/12/2016	<p>At the request of the Committee an additional column was included in the report to indicate how long an internal audit action had been overdue.</p> <p>A report on Implementation of Agreed Audit Actions was listed as an item of business on the Agenda.</p>		
07/12/2016	<u>Skills, Knowledge and</u>			Internal Audit	Yes

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	<p align="center"><u>Effectiveness Review</u></p> <p>The Corporate Governance Committee resolved:</p> <ul style="list-style-type: none"> i. that a training programme be devised by the Internal Audit and Risk Manager in consultation with the Corporate Governance Committee Chairman, and that training be delivered ahead of Committee meetings; and ii. that an Informal Corporate Governance Committee meeting be arranged in January or February to undertake an effectiveness review. 		<p>An Informal Corporate Governance Committee was held on 25 January 2017 for a self-assessment review of its own effectiveness.</p>	<p>and Risk Manager</p>	

**Public
Key Decision No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Grant Certification 2015/16
Meeting/Date: Corporate Governance Committee – 22nd March 2017
Executive Portfolio: Strategic Resources: Councillor J A Gray
Report by: Benefits Development & Support Team Manager
Ward(s) affected: All Wards

Executive Summary:

In 2015/16, the Council received over £35m in Housing Benefit grant from central government. This grant is subject to external audit as part of the control framework. The Council's auditors, Ernst & Young, complete this work.

The auditors are required to report their findings to 'those charged with governance' through the Annual Certification Report. This report is attached at Appendix 1.

Minor errors were identified which resulted in some additional testing and a qualification letter was subsequently produced for the Department for Work and Pensions. The errors identified resulted in minor amendments to the amount of grant due.

Recommendation(s):

It is recommended that the Committee comment on the content of the external auditor's Annual Certification Report 2015/16.

1. PURPOSE OF THE REPORT

- 1.1 To report to the Committee, as those charged with governance, the conclusions and recommendations of the Annual Certification Report 2015/16.

2. BACKGROUND

- 2.1 In 2015/16, the Council received £35.4m of Housing Benefit grant. This grant is subject to external audit by the Council's appointed external auditor – Ernst & Young. The findings are required to be reported to 'those charged with governance', which is the Corporate Governance Committee. The report from Ernst & Young is attached as Appendix 1.

3. ANALYSIS

- 3.1 The testing performed by the Council's external auditor identified several errors which are detailed below:

- i. Rent rebates expenditure was qualified as two cases from a total of 60 tested were found where assessors had incorrectly calculated the claimant's rental liability due to the incorrect application of ineligible service charges. The two errors amount to an overpayment of £42.21 and an underpayment of £0.15. Extrapolating the error across the claim resulted in a subsidy adjustment of £137.
- ii. Rent allowance expenditure was qualified as three overpayments of Housing Benefit had been incorrectly classified. Overpayments are classified in terms of which person is deemed to have made the error or delayed in notifying a change in a claimant's circumstances, and this can impact the amount of subsidy due.

Two cases from a total of 60 tested had been incorrectly classified as claimant error instead of Council error. The two errors amounted to a total overpayment of £37. The third case had been incorrectly classified as Council error instead of claimant error. This error amounted to £126. Extrapolating the three errors across the claim resulted in a subsidy adjustment of £2,931.

The total financial impact on the claim as a result of the errors set out in points i and ii above was a reduction in subsidy of £1,676 paid to HDC.

The total value of the 2015/16 errors is £205. When compared to:

- the total benefits budget of £35m, the error is minimal.
- the preceding year (the total error was £216), the 2015/16 error is not out of line.

4. KEY IMPACTS

- 4.1 Members should note that there is no materiality on external audit grant certification work for the Department for Work and Pensions (DWP). If an error is identified, the audit instructions require that additional testing must be undertaken.
- 4.2 However, the additional testing carried out this year did not result in an increase in charges to HDC. The actual fee for 2015/16 amounted to £18,136 which

agreed to the indicative figure quoted. The actual fee for 2014/15 was £23,363 meaning 2015/16 charges were £5,227 lower.

5. WHAT ACTIONS WILL BE TAKEN

- 5.1 The Benefits Section undertakes on-going accuracy checks and carries out monthly training sessions for the team in order to minimise the number of errors and this process will continue. Within the context of the overall claim, the number and value of the errors identified are minimal.

The Benefit Section has noted the comments by Ernst & Young indicating the main reason for amendments to the final claim resulted from manual adjustments being made post submission of the form to the DWP. Manual adjustments are necessary where the Council's benefit software is unable to automate a few types of transaction and consequently, a manual adjustment is required and needs to be accounted for before the audited claim can be agreed. Every attempt is made to complete the manual adjustment work prior to the claim submission but, due to the extremely tight deadlines, this is not always possible.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Annual Certification Report is a regulatory requirement. By maximising the amount of subsidy HDC is able to claim links to the Council's objective of 'becoming more efficient in the way we deliver services, providing value for money services'.

7. RESOURCE IMPLICATIONS

- 7.1 As the actual audit fees are the same as the indicative figures provided there are no additional resource implications.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The findings from the Annual Certification Report are required to be reported to those "charged with governance", which is the Corporate Governance Committee.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Annual Certification Report 2015/16

CONTACT OFFICER

Barnleigh Huggins, Benefit Development & Support Manager

☎ 01480 388479

barnleigh.huggins@huntsdc.gov.uk

John Taylor, Head of Customer Services

☎ 01480 388119

john.taylor@huntsdc.gov.uk

Amanda Burns, Benefits Manager

☎ 01480 388122

amanda.burns@huntsdc.gov.uk

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Certification of claims and returns annual report 2015-16

Huntingdonshire District Council

January 2017

Ernst & Young LLP



EY

Building a better
working world

The Members of the Corporate Governance Committee
Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
Cambridgeshire
PE29 3TN

24 January 2017

Direct line: + 44 7854 279 476
Email: NHarris2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16 Huntingdonshire District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Huntingdonshire District Council's 2015-16 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues. We checked and certified the housing benefits subsidy claim with a total value of £35,367,949. We met the submission deadline and issued a qualification letter on 28 November 2016. The details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Corporate Governance Committee.

Yours faithfully



Neil Harris
Executive Director
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....	1
2. 2015-16 certification fees.....	3
3. Looking forward.....	4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£35,367,949
Amended/Not amended	Amended – subsidy increased by £47,370
Qualification letter	Yes
Fee – 2015-16	£18,136
Fee – 2014-15	£18,380
Recommendations from 2014-15	Findings in 2015-16
None	<p>The main reason for the amendments to the value of claim presented for certification is the delay in determining required manual adjustments.</p> <p>We would recommend that manual adjustments are incorporated in the value of the claim presented for submission.</p>

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

Rent Rebates

We qualified Rent Rebate expenditure as we found two cases from a total of 60 tested where assessors had incorrectly calculated the claimant's rental liability due to incorrect application of ineligible service charges. This had a negligible impact.

Rent Allowances

Overpayments are classified in terms of which person is deemed to have made the error or delay in notifying a change in a claimant's circumstance. The amount of Subsidy the Council received can be influenced by the classification of benefit overpayments.

We qualified the amount claimed for overpayments of rent allowance expenditure where the claimant was deemed to have made errors as we found

- 2 cases out of a total of 60 tested where officers had misclassified overpayments made due to claimant error as overpayments made due to the Council error; and

- 1 case where officers misclassified overpayment due to Council error as overpayment made due to claimant error.

2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2015-16	2015-16	* 2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	18,136	18,136	** 23,363

* The 2014/15 audit was undertaken by PwC

** The 2014/15 certification fee includes a scale fee variation of £4,983

The indicative fee for 2015/16 is based on the actual fee for 2013/14 with a 25% reduction in scale fee.

For 2015/16 the level of error identified was similar to that identified in 2013/14.

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £17,522. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Resources before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Code of Procurement
Meeting/Date:	Corporate Governance Committee – 22 March 2017 Council – 29 March 2017
Executive Portfolio:	Executive Member for Strategic Resources: Councillor J A Gray
Report by:	Procurement Manager
Ward(s) affected:	All Wards

Executive Summary:

The Code of Procurement is reviewed on an annual basis to ensure that they reflect current legislation and the changing needs of the Council. This policy underpins governance of procurement in the Council and is an annex to the Council's constitution.

There are 4 proposed significant changes:

- (a) A clarification of the rules for disposal of surplus items worth less than £1,000 to charity or by sealed bid to ensure efficient process.
- (b) Harmonisation of tender thresholds to £100k to align with our partner authorities. Our current threshold is £75k. The changes should have little effect on the level of competition as both above and below this threshold is advertised nationally.
- (c) There have been instances where low value requests (some less than £10k) for approval have been sent to the Monitoring Officer. The proposal is that Heads of Service can approve single quotes, where justified, and subject to reporting to Corporate Governance Committee quarterly.
- (d) The Finance Bill 2017 revises the Intermediaries Legislation and introduces a duty on Public Bodies to collect income tax and national insurance through Pay-As-You-Earn if the working arrangements of a consultant, interim or contractor becomes like that of an employee. Heads of Service would become responsible for assessing the tax status at the point of engagement. Failure to correctly assess could result in the Council becoming liable for any back taxes owed.

Recommendation:

The Committee is requested to peruse the report and recommend the proposed changes to the Code of Procurement (**Appendix 2**) for approval by Council.

1. PURPOSE OF THE REPORT

- 1.1 The Code of Procurement is reviewed on an annual basis to ensure that it reflects current legislation and the changing needs of the Council. These policies underpin the financial governance of the Council and are incorporated in the constitution.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Code of Procurement provides the framework for compliance with current legislation as well as the basis for best practice. Procurement documentation and training will be revised to comply with the changes detailed at paragraph 3 below.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 There are four significant changes to this Code, which are summarised below. A detailed explanation is provided at Appendix 1:
- (a) A clarification of the rules for disposal of surplus items worth less than £1,000 to charity or by sealed bid to ensure efficient process.
 - (b) As part of work to align procurement rules and simplify joint procurements with our partner authorities, consideration was given to procurement thresholds. Whilst 3 thresholds result from statute (direct award <£5k, 3 quotes £5k - £25k, and EU threshold £164k), the tender threshold varied amongst the authorities. The proposal is to standardise on £100k, an increase from our current threshold of £75k. The changes should simplify some procurements but would have little effect on the level of competition as both Formal Quotes and Tenders are advertised nationally.
 - (c) There have been instances where low value requests (some less than £10k) for approval have been sent to the Monitoring Officer. The proposal is that Heads of Service can approve single quotes where justified and subject to reporting to Corporate Governance Committee quarterly.
 - (d) The Finance Bill 2017 introduced revisions to the Intermediaries Legislation that affects the engagement of consultants, interims and contractors. Depending on the working arrangements, the Council or Agency (if engaged through an Agency) may become responsible for collecting income tax and national insurance through Pay-As-You-Earn. The amendment ensures that Heads of Service are responsible for assessing the tax status at the point of engagement. Failure to correctly assess could result in the Council becoming liable for any back taxes owed.

4. KEY IMPACTS / RISKS

- 4.1 Failure to incorporate measures to accommodate the Finance Bill 2017 increases the risk of non-compliance with tax regulations leading to demands for back tax and penalties, as well as potential reputational damage.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 5.1 Upon approval, the Code will be a requirement for all procurement operations.

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

6.1 The Code of Procurement comes under the “Becoming a More Efficient and Effective Council” aspect of the Corporate Plan, and enabling the Council to “Become more efficient in the way we deliver services and providing value for money services”.

7. LEGAL IMPLICATIONS

7.1 The Code of Procurement has been updated to reflect current legislation and regulations, aiding the Council’s compliance.

8. RESOURCE IMPLICATIONS

8.1 There are no direct cost implications arising from this report, however, the Code promotes best practice best value in the management of the Council’s resources.

9. OTHER IMPLICATIONS

9.1 There are no known other implications.

10. REASONS FOR THE RECOMMENDED DECISIONS

10.1 The Code of Procurement supports the internal governance framework of the Council, it also forms part of the Council’s constitution. This annual review seeks to ensure that it continues to be relevant and up-to-date, reflecting any new statutory regulations of changes in local management and practice.

11. LIST OF APPENDICES INCLUDED

Appendix 1 - Proposed changes to the Code of Procurement
Appendix 2 - Draft amended Code of Procurement

CONTACT OFFICER

Nigel Arkle, Procurement Manager
Tel No: 01480 388104
Email: nigel.arkle @ huntingdonshire.gov.uk

PROPOSED AMENDMENTS TO THE CODE OF PROCUREMENT

1. This briefing note provides an explanation of the proposed changes to the Code of Procurement.

Disposal of Low Value Redundant Equipment

2. Although disposal of low value (< £1000) surplus items by donation to charity or sealed bids from staff has been used in the past, the Code is silent on the subject. The amendment is to formalise these options with the intent of saving staff time where the intrinsic value is very low and the prospect of any worthwhile return to the Council is remote.

Harmonisation of Thresholds

3. As part of the development of common procurement procedures and practice across the three partner authorities, a working group has examined procedural thresholds. The working group identified 3 thresholds that were controlled or influenced by current regulations and a fourth set by individual Authorities' Codes/Standing Orders.
4. The Tender threshold varied amongst the authorities but a common level of £100k was considered appropriate, which also matched County Council's tender threshold. In practical terms, as both Formal Quotes and Tenders are advertised on the same national portal (Contracts Finder) the level of completion should be comparable, albeit that Formal Quotes are a simpler, quicker process.
5. The table below details the proposed thresholds:

	Current Value	Controlling Statute/Regulation	Process	Proposed Values
1	£5k	Local Government Transparency Code 2013	3 Quotes	£5k
2	£25k	Public Contract Regulations 2015	National advert & formal quotes	£25k
3	£75k	Code of Procurement	National advert & tenders	£100k
4	£164k	EU Procurement Directive	Applicable EU procedure	£164k

Approval of Single Quotes

5. Current rules give Heads of Service very limited grounds for approving single quotes which has resulted in a number of small value (£5k - £10k) single quote requests going to the Monitoring Officer for approval. The proposed change permits Heads of Service to approve up to £25k where justified and subject to formal reporting to the Corporate Governance Committee.

Intermediaries Legislation

6. The Finance Bill 2017 introduced revisions to the Intermediaries Legislation that affects the engagement of consultants, interims and contractors. Depending on the contractual arrangements, the nature of work to be undertaken and duration of the engagement the consultants, interim or contractors may be deemed an employee for tax purposes. The Council or Agency (if engaged through an Agency) becomes responsible for collecting income tax and national insurance through Pay-As-You-Earn. The amendment to the Code ensures that HOS are responsible for assessing the tax status at the point of engagement. HMRC have provided a simple online tool to check employment status and guidance has been issued to all Managers. Failure to correctly assess could result in the Council becoming liable for any back taxes owed.

Minor Changes

7. The table below details the additional minor changes made to the Code.

Para.	Section	Summary of Change
1.3	Introduction	Replaces “Manager” with “Officer” to reflect the staff undertaking procurement work.
1.5	Introduction	Broader definition to now include “3Cs partners” providing goods and services to the Council.
1.6	Introduction	Revised paragraph to include low value (<£1k) disposals to charity and the mechanism for disposal to Officers.
1.8	Introduction	Addition of “Crown Commercial Services Procurement Policy Notices” which have statutory effect following the Small Business, Enterprise and Employment Act 2015.
5.3 (c)	Contracts Register	Amendments of the procedure to reflect the requirement for advertisement/competition for requirements over £25,000.
6.4 (e)	Head of Service Approval	Provide authority for the Head of Service to approve single quotes provided they are justified to the Corporate Governance Committee.
6.5 (b)	Monitoring Officer Approval	Subparagraph deleted as the approval of proprietary goods and materials already provided in subparagraph 6.4 (b).
6.5 (e)	Monitoring Officer Approval	Subparagraph deleted as serial programmes no longer used.
11 (b)	Opening of Tenders	Introduces our e-Tendering tool as an authorised means of receiving tenders and quotes.

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Huntingdonshire District Council

**CODE OF
PROCUREMENT**

DRAFT MAR 17

2017
(Date)

CODE OF PROCUREMENT

1. INTRODUCTION

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

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

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

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

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

1.5 This Code does not apply to purchases made from internal management units **or 3 Cs partners**.

1.6 The Code also applies to the **disposal** sale of assets and goods by the Council. Where the appropriate Manager estimates that the assets **or goods or services to be sold** to be worth less than £1,000, **then the goods or assets may be donated to a recognised Charity. If disposal to Officers is proposed, then the goods or assets shall be advertised internally to all Officers and sealed bids sought.** Where the value is estimated as exceeding £1,000 the ~~'Sale of Equipment' procedures contained within the Inventory procedures shall be followed,~~ **fair market value must be sought.**

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

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

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

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

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

2. REPORTING AND ADVERTISING

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

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

2.2 The Public Procurement Regulations 2015 (Statutory Instrument no. 102 2015) requires that contracts above EU threshold are advised in the Official Journal of the European Union and that any contract opportunity above £25,000 is advertised in the Cabinet Office’s portal “Contracts Finder”. For requirements estimated as above £5,000 Managers shall advertise in the Contracts Register where needed to stimulate competition and obtain best value. There is no requirement to advertise competitions run using frameworks or approved lists.

Media	Threshold		
	Supplies and Services	Works and Concessions	Light Touch Regime Services
Contracts Register	£5,000	£5,000	£5,000
Contracts Finder	£ 25,000	£ 25,000	£25,000
Official Journal of the European Union (OJEU)	£ 164,176	£ 4,104,394	£597,609

(1 January 2016)

3. ‘BEST VALUE’ AND SOURCING POLICY

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

- ◆ The opportunity to obtain leverage (better prices and) for volume.
- ◆ Regulatory compliance.

- ◆ Transparent and efficient procurement processes.
- ◆ Appropriate social, environmental and equality outcomes.
- ◆ Minimum procurement overhead.

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

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

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

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

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

(c) Council let corporate contracts.

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

Market Sounding

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

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

4. METHODS OF ORDERING

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

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

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

5. CONTRACTS REGISTER

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

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

5.2 Any procurement estimated to exceed ~~£100,000~~ **£75,000**, which is not covered by the exceptions in paragraph 6 below, must be referred to the Procurement Manager before the procurement process is commenced. If a Manager does not wish to accept the Procurement Manager's advice on any significant aspect the matter will be determined by the relevant Corporate Director. The discussion will cover:

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

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

	Procedure	Estimated Total Value of Procurement	Requirement
(a)	Estimate	Up to £5,000	At least 1 written estimate or offer (e-marketplace, email, web or paper) shall be sought and recorded.
(b)	Request for Price (Informal Quote)	£5,000 up to £25,000	At least 3 written estimates or offer (e-marketplace, email or headed paperwork) shall be sought.
(c)	Request for Quote (Formal Quote)	£25,000 to 75,000 £100,000	Formal quotations sought from all contractors expressing interest following advertisement in accordance with paragraph 2.2. A formal written contract prepared in accordance with paragraph 13.2 if justified by potential risk or specialist subject matter. At least 3 formal quotations or offers shall be invited, unless the Manager has complied in full with paragraph 6 of this Code. The Manager will consider whether the nature of the procurement is such that a full competitive tendering would be likely to be beneficial to the Council by reducing cost (by more than the cost of tendering) or risk.
(d)	Tender	£75,000 £100,000 to EU Procurement Threshold	Competitive tenders shall be obtained using one of the tendering options in this Code, and a formal written contract prepared in accordance with paragraph 13.2.
(e)	EU tender	The EU Threshold and above	The appropriate EU procurement directive shall be complied with.

5.4 Total value is the cost of all elements of the procurement (e.g. installation, testing, training, maintenance, etc). The Manager shall ensure that a procurement is not split or otherwise disaggregated and may choose to competitively tender requirements less than ~~£75,000~~ **£100,000**.

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

6. TENDER AND REQUEST FOR QUOTATION PROCEDURES

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

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

- ◆ there is a single supplier 'call-off contract' or catalogue created with fixed prices, or
- ◆ the contract is created to our requirements;

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

(c) for purchases made at public auction.

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

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

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

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

(b) for ongoing maintenance of propriety IT systems or where work to be executed or goods, services or materials to be supplied consist of repairs to or the supply of parts of existing proprietary machinery, equipment, hardware or plant and the repairs or the supply of parts cannot be carried out practicably by alternative contractors provided:

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

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

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

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

- ◆ the value of the proposed and all previous extensions to the contract are not greater than 10% of the advertised requirement;
- ◆ the extension does not materially change the nature of the contract;
- ◆ the initial contract award was compliant with this Code.
- ◆ the extension is recorded in the Contracts Register.

(e) where the HoS considers a single quote is in the Council's best interest and:

- ◆ **the total value is less than £25,000; and**
- ◆ **the details and justification are reported to the next quarterly Corporate Governance Committee.**

6.5 Monitoring Officer Approval. A Head of Service after consulting the Monitoring Officer may obtain a single tender or quotation when no satisfactory alternative is available:

(a) Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available.

~~(b) Work to be executed or goods, services or materials to be supplied consist of repairs to or the supply of parts of existing proprietary machinery, equipment, hardware or plant and the repairs or the supply of parts cannot be carried out practicably by alternative contractors.~~

(b e) Specialist consultants, agents or professional advisers are required and

- ◆ here is no satisfactory alternative; or
- ◆ evidence indicates that there is likely to be no genuine competition; or
- ◆ it is in the Council's best interest to engage a particular consultant, agent or adviser.

(c d) Products are sold at a fixed price, and market conditions make genuine competition impossible.

~~(e) The proposed contract shall form part of a serial programme. The contract terms shall be negotiated with a contractor, using as a basis for negotiation the rates and prices contained in an initial contract that was awarded following a competitive tendering process that complied with this Code. No more than two serial contracts shall be negotiated from an initial contract.~~

~~(d)~~

(d e) With the Monitoring Officer's agreement, considers that it is in the Council's best interest in negotiating a further contract for works, supplies or services of a similar nature with a contractor who is currently undertaking such work and is reported to the next meeting of cabinet

- 6.6 If the single quote/tender option is used, the Manager shall:
- ◆ seek approval of the Monitoring Officer;
 - ◆ retain records that demonstrate that the best price or value for money has been obtained from the negotiations with the contractor.

7. LIST OF APPROVED TENDERERS

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

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

(a) Third party vetted lists of contractors that are compiled and maintained by an external organisation. Only external organisations approved by the Procurement Manager, after consultation with other relevant Manager(s) shall be adopted. The Procurement Manager shall ensure that the external organisation and approved list of contractors is detailed in Procurement Protocols & Guidelines.

(b) Ad-hoc list of approved tenderers. If a Manager believes that the approved list of tenders does not allow him to obtain sufficient competition for 'Best Value', the Manager shall write to the Procurement Manager seeking approval to source additional contractors or create an ad-hoc list of approved tenderers.

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

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

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

8. FRAMEWORKS

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

- ◆ the framework explicitly permits direct award;
- ◆ the proposed award is less than the tender threshold (£100,000 ~~75,000~~);
and
- ◆ the Head of Service can show both objective reasons for the selection of a supplier and evidence of best value.

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

9. COMPETITION

9.1 Shortlisting and Restricted Tenders

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

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

- ◆ comply with minimum standards of Insurance;
- ◆ have the necessary Health & Safety policy and performance and (where applicable) membership of the Contractor's Health and Safety Scheme or equivalent health and safety standard;
- ◆ are financially viable based on a risk based assessment;
- ◆ have an appropriate environmental policy;
- ◆ comply with equalities legislation and policy; and
- ◆ possess the experience and capacity required.

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

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

9.2 Open Tenders/Quotes

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

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

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

Managers shall ensure that all ITTs and RFQs include;

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

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

9.4 Evaluation Criteria

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

- (a) be based on a definite written specification, which shall include consideration (where relevant to the requirement) of:
 - ◆ environmental performance including low energy and water consumption and the elimination of substances hazardous to health and the environment.
 - ◆ delivery of social benefit (for services only)
 - ◆ inclusion of Small & Medium sized Enterprises
- (b) include award criteria,
- (c) include specific weightings applied to individual award criteria, and
- (d) if appropriate, include a requirement for a performance bond and liquidated damages

9.5 Non-Traditional Procurement

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

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

10. SUB-CONTRACTS AND NOMINATED SUPPLIERS

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

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

11. RECEIPT AND OPENING OF TENDERS AND QUOTATIONS

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

- (a) it has been received via the e-marketplace 'sealed quote' facility; or
- (b) it is contained in a plain envelope/packet which shall be securely sealed and shall bear the word "Tender" or "Quotation", the Unique Reference Number (URN) from the Contracts Register; and the envelope shall not bear any distinguishing matter or mark intended to indicate the identity of the sender. Such envelope shall be addressed
 - ◆ impersonally to the Legal Services Officer if it contains a "Tender", or
 - ◆ the appropriate Manager if it contains a "Quotation"; or

(c) RFQs (Formal Quotations) may be sent electronically to a specific e-mail address, which the appropriate Manager shall obtain from the IMD Service Manager. The IMD Service Manager shall ensure that the e-mail address is secure.

11.2 All Officers shall comply with the procedure note 'Procedure for the Receipt of Tenders and Formal Quotations' which can be found on the Procurement internet pages.

11.3 All tenders or quotations upon opening shall be recorded in writing on either a tender or quotation opening record unless the Contracts Register is being completed contemporaneously. The format of the opening record shall have been previously agreed with the Monitoring Officer and Legal Services Officer.

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

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

12. ACCEPTANCE OF TENDERS AND QUOTATIONS

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

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

12.3 If the most economically advantageous quotation exceeds £100,000 ~~75,000~~ but -

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

12.4 A tender or quotation shall not be accepted -

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

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

(c) unless –

- ◆ the Cabinet have considered a written report from the appropriate Head of Service/Service Manager, or
- ◆ in cases of urgency, the Monitoring Officer has consulted and obtained the approval of the relevant executive councillor. Tenders or quotations accepted in this way shall be reported by the appropriate Manager to the next meeting of the Cabinet.

12.6 Arithmetical Errors and Post-Tender Negotiations

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

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

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

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

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

(d) All post-tender negotiations shall:

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

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

13. TERMS OF BUSINESS AND THE FORM OF CONTRACTS

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

on T&Cs other than the Council's T&Cs, the Procurement Manager shall be informed, except for -

- ◆ Any contract where the estimated total value is likely to exceed **£100,000** ~~75,000~~, where paragraph 13.2 shall apply.
- ◆ Any framework or contract formally adopted by the Council.
- ◆ Purchasing Agency (e.g. ESPO, Crown Commercial Service) arranged contracts and orders.
- ◆ Orders of a total value of less than £ 25,000 where the goods or service are purchased on a 'retail' basis on terms available to the general public.
- ◆ Orders for software where the licence is for 'standard' product but not where customisation, development or on-site service is required for the 'standard' product.

13.2 Every contract that exceeds £25,000 shall use the Council's Standard Terms and Conditions. Where significant risk to performance or delivery is identified; or if a specialist category (eg: works, IT, professional services, concessions), or if the contract value is greater than **£100,000** ~~75,000~~; then the contract shall be in writing in a form approved by the Legal Services Officer. Managers shall ensure that advice of the Legal Services Officer is sought at a stage as early as practicable (normally before the issue of an Invitation to Tender).

13.3 In the case of any contract likely to exceed **£100,000** ~~75,000~~ for the execution of works or for the supply of goods, services or materials, the Manager after consulting with the Procurement Manager and the Monitoring Officer shall consider whether the Council should require security for its due performance and shall either certify that no such security is necessary or shall specify in the specification of tender the nature and amount of the security to be given. In the latter event, the Council shall require and take a bond or other sufficient security for the due performance of the contract.

13.4 Managers shall produce the final version of all contracts in 2 copies. Where the total value of a contract exceeds **£100,000** ~~75,000~~ both copies shall be presented to the Head of Resources for signature. Once signed by the contractor, the signed contract, all original documents, including specifications, drawings, tender documents and correspondence relating to shall be forwarded by the Legal Services Officer. Where the total value of the contract is less than **£100,000** ~~75,000~~ the relevant Manager shall make arrangements for the retention of all the original documentation.

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

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

14. LETTERS OF INTENT

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

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

14.2 Managers shall ensure that:-

- (a) all letters of intent are in a form approved by the Legal Services Officer; and
- (b) all letters of intent are signed by the appropriate Budget Manger with sufficient authority for either the value of the intended contract or the estimated value of any 'extension' period defined in the letter of intent if below ~~£100,000~~ 75,000, otherwise by the Head of Resources.

15. POST-COMPETITION DEBRIEFS

15.1 For all contracts greater than £25,000, Managers shall maintain records of selection and evaluation scoring and where requested by participating suppliers, provide a suitable post-tender debrief in writing. For contracts greater than ~~£100,000~~ 75,000, unsuccessful tenderers shall be advised in writing of the winning supplier, the value of the contract awarded and the strengths and weaknesses of their tender and the advice of the Procurement Manager shall be sought on the format and scope of the debrief.

16. PUBLISHING CONTRACT AWARDS

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

- ◆ Contracts Register if greater than £5,000, and.
- ◆ Contracts Finder if greater than £25,000 (including awards under mini-competition using a framework) or if advertised in Contracts Finder, and
- ◆ The Official Journal of the European Union if greater than the promulgated EU threshold.

17. LOCAL GOVERNMENT ACT – COMMUNITY RIGHT TO CHALLENGE

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

18. RETENTION OF DOCUMENTS

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

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

- (a) retention for 12 years from the date of completion of the contract for contracts made under deed;
- (b) retention for 6 years from the date of completion of the contract:-
 - ◆ Contract Documents
 - ◆ Hire/Rental Agreements
 - ◆ Successful Tenders
 - ◆ Summary of Tender Opening
 - ◆ Disposal Board papers
 - ◆ All selection and evaluation scoring and reports
 - ◆ Goods Received Notes
 - ◆ HM Customs and Excise Import documentation
 - ◆ Invitations to Tender/Quotation Requests
 - ◆ Maintenance/Software licence agreements
 - ◆ Specifications
 - ◆ Successful Quotations
 - ◆ Suppliers' Advice Notes;
- (c) retention for 3 years after the last entry:-
 - ◆ Stock and Purchase Record Cards or Registers
- (d) retention for 2 years after the financial year to which the document relates:-
 - ◆ Unsuccessful Quotations.
 - ◆ Unsuccessful Tenders.

19. FREEDOM OF INFORMATION ACT 2000 (FOIA)

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

20. CONFLICTS OF INTEREST

20.1 Where a potential conflict is declared by an officer or otherwise recognised, the HoS shall ensure the relevant company and businesses areas are identified. Other business areas are exempt from the procedure.

20.2 The following procedure is applied according to value:

- (a) Low value (less than £100,000 ~~75k~~)
 - ◆ HoS shall arrange for specifications/evaluation criteria written by the affected officer to be independently vetted;
 - ◆ HoS shall appoint 2 independent officers to evaluations were the relevant company participates; and
 - ◆ HoS shall ensure independent vetting of evaluations were the relevant company becomes the preferred bidder.

(b) High Value (greater than £100,000 75k). Where the relevant company bids or is considered likely to bid the HoS shall ensure participation by the affected officer is limited to providing specialist advice.

20.3 If a conflict of interest becomes apparent once a procurement is underway but before contract award the HoS shall seek the advice of the Procurement Manager and Legal Services Officer on how to proceed. If discovered after contract award, the HoS shall refer the matter to the Monitoring Officer.

21. Interims, Consultants and Contractors

21.1 The Manager responsible for appointing any **interim, consultant or contractor (ICC)** shall:

(a) if engaged through an agency, provide the agency with any information requested about the role.

(b) if engaged directly, use the HMRC's online employment status tool check the ICC's tax status and record the outcome. If the ICC is deemed an employee then HR shall be provided with the details of the engagement.

22.2 If the **ICC** will be responsible to the Council for the management or supervision of a contract on its behalf, then the Manager shall provide the **ICC** with a copy of this Code and ensure that it shall be a condition of the engagement that the **ICC** shall:

- ◆ comply with this Code;
- ◆ at any time during the carrying out of the contract produce to the appropriate Manager, on request, all the records maintained in relation to the contract; and
- ◆ on completion of the contract transfer all records produced or received that relate to the contract to the appropriate Manager.

22. PROCUREMENT TRAINING

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

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

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Public/Confidential*
Key Decision - Yes/No*
* Delete as applicable

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Update on Code of Conduct and Register of Disclosable Pecuniary Interests

Meeting/Date: Corporate Governance Committee
22 March 2017

Report by: Members' Support Assistant

Ward(s) affected: All Wards

Executive Summary:

The Monitoring Officer has a duty to establish and maintain a register of Disclosable Pecuniary Interests (DPIs) and this report provides the Committee with an update on the current level of returns and with an opportunity to consider any action that might be necessary to encourage those Councillors who continue to fail to return their forms to comply.

Recommendation(s):

The Committee is requested to consider and comment on the report.

1. WHAT IS THIS REPORT ABOUT?

- 1.1 Chapter 7 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of disclosable pecuniary or other interests of Members of the District Council. The Monitoring Officer also continues to be responsible for maintaining the Register for Parish Councils. The register has to be open for inspection at the District Council's Offices and published on the District Council's website. Where a Parish Council has a website, the District Council is also required to provide that Council with the information necessary to enable it to publish their current register on its own website. Information in respect of the DPIs of each Parish Council is presented in an Appendix to this report.
- 1.2 Each Parish Council also has a duty to adopt a Code of Conduct. All Town and Parish Councils were requested to advise the Monitoring Officer when their Council had adopted a new Code and to confirm whether it was identical to that adopted and promoted by the District Council or alternatively the version produced by the National Association of Local Councils (NALC) or any other version.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Committee is responsible for maintaining high standards of conduct by Members of the District and Town and Parish Councils, for monitoring operation of the Code of Conduct and for considering the outcome of investigations in the event of breaches of the Code. The District Council has a duty to maintain and publish the Registers of Pecuniary Interests of both the District and Town and Parish Councils. Those Members who fail to comply with the 2011 Act are guilty of an offence and liable to a maximum fine of £5,000 and disqualification for up to 5 years.
- 2.2 This report describes the current position in relation to both of these matters.

3. ANALYSIS/REPORT

- 3.1 The DPI forms that have been received have been published. Any changes made to pecuniary interests also have been published.
- 3.2 Of 71 Town and Parish Councils, 44 have had their full Register published on the District Council's website. 27 Parishes have vacancies including 1 having a full register with two vacancies and two outstanding forms.
- 3.3 In terms of individual DPIs, 608 out of a total of 650 have been received from Parish Councillors; only two are outstanding and 40 are vacant. The up to date position on each Council is noted in Appendix 1. Farcet currently have two DPI forms outstanding for recently co-opted councillors. The Committee will appreciate that it is unlikely that there will ever be a complete return at any one time because of the ever changing nature of the system.
- 3.4 All District Councillors' DPI forms are loaded onto the Council's website.

4. KEY IMPACTS? HOW WILL THEY BE ADDRESSED?

- 4.1 The Member Support Assistant continually pursues those Parish Councils where DPIs are outstanding. Similarly, incomplete or inaccurate forms are returned to Parish Councils with a request to revise and return.

5. WHAT ACTIONS WILL BE TAKEN

- 5.1 Parish Clerks are regularly contacted by email to submit DPI forms as soon as possible.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Council has a stated commitment to working with our communities and ensuring they get involved with local decision making by ensuring that DPIs are published and the Council is supporting local accountability and transparency in decision making.

7. CONSULTATION

- 7.1 Not applicable.

8. LEGAL IMPLICATIONS

- 8.1 There is no legal obligation upon Town and Parish Councils to notify the Monitoring Officer that they have adopted a Code of Conduct, but records indicate that all Town and Parish Councils have adopted a Code. 56 of those Parish Councils have adopted a Code based on that adopted by the District Council. 11 Town and Parish Councils have opted for the Code promoted by NALC, and four have adopted their own version of the Code. The up to date position on each Council is noted in Appendix 2.

9. REASONS FOR THE RECOMMENDED DECISIONS

- 9.1 The Committee take a role in maintaining high standards of conduct by Members and for monitoring the Code of Conduct.

10. LIST OF APPENDICES INCLUDED

Appendix 1 – Town and Parish Councils Disclosable Pecuniary Interests (DPI) forms
Appendix 2 – Town and Parish Council New Standards Regime and Code of Conduct.

BACKGROUND PAPERS

None.

CONTACT OFFICER

Lisa Jablonska, Elections and Democratic Services Manager
01480 388004

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Town and Parish Councils Disclosable Pecuniary Interests (DPI) forms

Town/Parish Council	No of Cllrs	DPI Rec'd	Vacancy	DPI Outstanding	NOTES
1 Abbots Ripton	6	6			CORRECT
2 Abbotsley	7	7			CORRECT
3 Alconbury	11	10	1		CORRECT
4 Alconbury Weston	7	7			CORRECT
5 Alwalton	5	5			CORRECT
6 Barham & Woolley	5	5			CORRECT
7 Bluntisham	11	10	1		CORRECT
8 Brampton	15	14	1		CORRECT
9 Brington & Molesworth	5	5			CORRECT
10 Broughton	7	7			CORRECT
11 Buckden	15	15			CORRECT
12 Buckworth	5	5			CORRECT
13 Bury	9	9			CORRECT
14 Bythorn & Keyston	5	5			CORRECT
15 Catworth	7	6	1		CORRECT
16 Colne	9	9			CORRECT
17 Conington	5	5			CORRECT
18 Earith	11	11			CORRECT
19 Easton	5	5			CORRECT
20 Ellington	7	7			CORRECT
21 Elton	9	8	1		CORRECT
22 Farcet	11	7	2	2	X2 outstanding
23 Fenstanton	13	11	2		CORRECT
24 Folksworth & Washingley	9	7	2		CORRECT
25 Glatton	5	5			CORRECT
26 Godmanchester	17	17			CORRECT
27 Grafham	7	7			CORRECT
28 Great & Little Gidding	7	7			CORRECT
29 Great Gransden	9	9			CORRECT
30 Great Paxton	9	8	1		CORRECT
31 Great Staughton	9	9			CORRECT
32 Hail Weston	7	7			CORRECT
33 Hemingford Abbots	7	5	2		CORRECT
34 Hemingford Grey	13	8	5		CORRECT
35 Hilton	9	9			CORRECT

Town and Parish Councils Disclosable Pecuniary Interests (DPI) forms

Town/Parish Council	No of Cllrs	DPI Rec'd	Vacancy	DPI Outstanding	NOTES
36 Holme	7	7			CORRECT
37 Holywell cum Needingworth	13	13			CORRECT
38 Houghton & Wyton	9	8	1		CORRECT
39 Huntingdon	19	19			CORRECT
40 Kimbolton & Stonely	11	10	1		CORRECT
41 Kings Ripton	5	5			CORRECT
42 Leighton Bromswold	7	5	2		CORRECT
43 Little Paxton	15	13	2		CORRECT
44 Offord Cluny & Offord Darcy	11	9	2		CORRECT
45 Old Hurst	7	7			CORRECT
46 Old Weston	7	7			CORRECT
47 Perry	9	8	1		CORRECT
48 Pidley cum Fenton	7	7			CORRECT
49 Ramsey	17	17			CORRECT
50 Sawtry	15	15			CORRECT
51 Sibson cum Stibbington	7	6	1		CORRECT
52 Somersham	15	13	2		CORRECT
53 Southoe & Midloe	7	6	1		CORRECT
54 Spaldwick	7	7			CORRECT
55 St Ives	17	17			CORRECT
56 St Neots	21	19	2		CORRECT
57 Stilton	11	11			CORRECT
58 Stow Longa	5	5			CORRECT
59 The Stukeleys	9	8	1		CORRECT
60 Tilbrook	5	5			CORRECT
61 Toseland	5	5			CORRECT
62 Upton & Coppingford	5	4	1		CORRECT
63 Upwood & The Raveleys	9	9			CORRECT
64 Warboys	15	14	1		CORRECT
65 Waresley cum Tetworth	5	5			CORRECT
66 Wistow	7	7			CORRECT
67 Woodhurst	7	6	1		CORRECT
68 Woodwalton	5	5			CORRECT
69 Wyton on the Hill	7	6	1		CORRECT
70 Yaxley	17	17			CORRECT
71 Yelling	7	6	1		CORRECT
Totals	650	608	40	2	

Town and Parish Council New Standards Regime and Code of Conduct

Town/Parish Council	HDC Code	NALC Code	Own Code
Abbotsley	X		
Abbots Ripton	X		
Alconbury	X		
Alconbury Weston		X	
Alwalton	X		
Barham & Woolley	X		
Bluntisham	X		
Brampton	X		
Brington & Molesworth	X		
Broughton	X		
Buckden	X		
Buckworth	X		
Bury	X		
Bythorn & Keyston	X		
Catworth	X		
Colne			X
Conington	X		
Earith		X	
Easton	X		
Ellington	X		
Elton	X		
Farcet		X	
Fenstanton	X		
Folksworth & Washingley		X	
Glatton	X		
Godmanchester	X		
Grafham	X		
Great & Little Gidding	X		
Great Gransden	X		
Great Paxton	X		
Great Staughton	X		
Hail Weston		X	
Hemingford Abbots	X		
Hemingford Grey	X		
Hilton	X		
Holme	X		
Holywell cum Needingworth	X		
Houghton & Wyton			X
Huntingdon	X		
Kimbolton & Stonely	X		
Kings Ripton	X		
Leighton Bromswold	X		
Little Paxton	X		
Offord Cluny & Offord Darcy		X	

Town and Parish Council New Standards Regime and Code of Conduct

Town/Parish Council	HDC Code	NALC Code	Own Code
Old Hurst		X	
Old Weston	X		
Perry	X		
Pidley cum Fenton	X		
Ramsey			X
Sawtry	X		
Sibson cum Stibbington	X		
Somersham	X		
Southoe & Midloe			X
Spaldwick	X		
St Ives	X		
St Neots	X		
Stilton		X	
Stow Longa	X		
The Stukeleys	X		
Tilbrook	X		
Toseland	X		
Upton & Coppingford	X		
Upwood & The Raveleys	X		
Warboys	X		
Waresley cum Tetworth		X	
Wistow	X		
Woodhurst		X	
Woodwalton		X	
Wyton on the Hill	X		
Yaxley	X		
Yelling	X		
TOTAL	56	11	4

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Progress Report on Business Continuity Planning
Meeting/Date: Corporate Governance Committee 22 March 2017
Executive Portfolio: Cllr Cawley, Organisation and Customer Services
Report by: Adrian Dobbyne, Corporate Team Manager
Ward(s) affected: All

Executive Summary:

The revision to the Business Continuity Plans was completed in January 2017 and a new Plan issued. At SMT our new approach to business continuity management was outlined and endorsed. The Plan is being tested by Internal Audit. A revision to the Plan is scheduled April / May 2017.

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
- To undertake a review of the various scenario plans (e.g. adverse weather, fuel shortages) in place

In December 2016, Corporate Governance Committee received a progress update.

- 2.2 A new template has been used and a completely new Business Continuity Plan has been issued in January 2017. Although it covered similar areas to our previous template, it did 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. A key aspect of the new Plan was 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 is one organisational wide Plan, which confirms all the priority activities to be reinstated in specific timescales and includes 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. We may still hold a specific additional Plan for Customer Services as it looks as if they would be best supported by their own unique Plan.
- 2.4 There has been a revision to the roles and responsibilities and 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 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 previous management arrangements for the Plan were cumbersome and our SharePoint site on our Intranet where Plans and supporting documentation were kept was populated with loads of documents. A more controlled

management of the Plan has been introduced and a significant clear up of the data on the Intranet undertaken.

2.6 Internal Audit are carrying out an audit on the Business Continuity Plan in March / April 2017. This will 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 by Internal Audit.

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.

4. TIMETABLE FOR IMPLEMENTATION

4.1 It is expected that a revision to the Plan will follow in April / May 2017 following the outcome of the testing by Internal Audit.

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 Internal Audit to test the Plan and the Corporate Team Manager to reflect on those outcomes and update the 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

CONTACT OFFICER

Adrian Dobbyne, Corporate Team Manager
Tel No: 01480 388100
Email: Adrian.dobbyne@huntingdonshire.gov.uk

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	External Audit Plan 2016/17
Meeting/Date:	Corporate Governance Committee 22 March 2017
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Head of Resources
Ward(s) affected:	All Wards

Executive Summary:

Ernst and Young are the appointed external auditors and this will be their second year of auditing the Council's accounts.

In preparation for the 2016/17 audit, Ernst and Young are required to inform those charged with governance, how they plan to undertake the audit. The plan is attached as **Appendix 1**, and outlines:

- How the auditors expect to complete the audit and give an opinion.
- The risks the auditors will consider during the audit.
- Their approach to fraud detection.
- The tools and approaches they will use during the audit.
- The level of materiality.
- The scope and timetable of the audit.
- The audit fee.

Recommendation(s):

It is recommended that the Panel reviews the attached External Audit Plan 2016/17 (**Appendix 1**) and:

- Comments on the plan in general.
- Comments on the level of comfort with the updates the Panel will receive during the audit process.

1. PURPOSE

- 1.1 This is the second year that Ernst and Young are the Council's auditors, having taken over from PricewaterhouseCoopers, who were the Council's auditors from 2010/11 to 2014/15.
- 1.2 Ernst and Young are required to detail how the audit will be carried out and this is detailed in Ernst and Young's Audit Plan at **Appendix 1**. The audit plan includes;
- How the auditors expect to complete the audit.
 - The financial statement risks they will consider.
 - Their responsibilities relating to fraud.
 - Which value for money risks they will consider.
 - The scope and timetable of the audit.
 - The audit fees.
- 1.3 The audit plan has been designed to take into account several key inputs;
- Strategic, operational, and financial risks relevant to the financial statements.
 - Developments in financial reporting and auditing standards.
 - The quality of systems and processes.
 - Changes in the business and regulatory environment.
 - The management's view on all of the above.
- 1.4 At the completion of the audit, Ernst and Young will issue an audit report giving their opinion on whether the Council's financial statements give a true and fair view of the Council's financial position as at the 31st March 2017.

2. BACKGROUND

- 2.1 In order for Ernst and Young to get to an opinion on whether the financial statements give a true and fair view, the scope of the work they will complete is:
- Review and report on the Council's financial statements.
 - Review and report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.
 - Review and report to the NAO on the Whole of Government Accounts (WGA) return.
- 2.2 The review will take place under the International Standards on Auditing (UK and Ireland).

3. RISKS

- 3.1 Ernst and Young have assessed the risks that the Council is subject to, through discussion with those charged with governance and council officers. The risks can be broken down into three categories:
- financial statement risks,
 - responsibilities in respect of fraud and error
 - value for money risks.
- 3.2 The financial statement risks that the Council is subject to include:

- Risk of fraud in revenue recognition
- Risk of management override
- Financial statements presentation
- Valuation and Impairment of Property, Plant and Equipment
- Pension Liability

3.3 Responsibilities in respect of fraud and error

Based on the requirements of the auditing standards the approach to fraud detection will be:

- Understanding the oversight of those charged with governance.
- Identifying fraud risks during the planning stage.
- Enquiry of management about risks and control.
- Consideration of the effectiveness of management controls.
- Determining an appropriate strategy to identify risks of fraud.
- Performing mandatory procedures regardless of risks.

3.4 Value for Money risks

When assessing the value for money risks Ernst and Young will determine whether the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Proper arrangements comprise:

- Take informed decisions.
- Deploy resources in a sustainable manner.
- Work with partners and third parties.

3.5 When considering the arrangements Ernst and Young will also draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that their assessment is made against a framework that should already be in place.

4. AUDIT APPROACH 2016/17

4.1 The audit will cover the following:

- *Analytics* - Ernst and Young will use computer-based analytics tools to capture whole populations of financial data, the data will then be subject to testing to identify exceptions and anomalies. This type of analysis will give an increased likelihood of identifying errors over random sampling.
- *Internal Audit* - Internal Audit's work in documenting the financial systems and controls, will be used to update Ernst and Young's understanding, and to carry out walk-throughs of those systems.
- *Use of Specialists* - When auditing key judgements, reliance will be placed on specialists, who have expertise not possessed by the core audit team. The specialists will be used to, analyse source data, assess assumptions, and judge whether the findings are reflected in the accounts.
- *Mandatory Audit Procedures* - Ernst and Young will also address the risk of fraud and error, review significant disclosures and corporate controls,

report on inconsistencies in the financial statements and address auditor independence.

4.2 In this way the auditors will be able to assess key controls, identify significant risks and carry out substantive testing on transactions and balances.

4.3 **Materiality**

The level of materiality is defined as the magnitude of an omission or misstatement that individually or in aggregate could be expected to influence users of the accounts.

The materiality level for 2016/17 has been set at £1.7m based on 2% of gross revenue expenditure. In addition misstatements greater than £86,479 will be reported. It is possible that the level of materiality may change during the audit.

At the end of the audit Ernst and Young will form an audit opinion by reference to all matters that could be significant to users of the accounts, including the effect of misstatements.

4.4 **Timetable**

The timetable below show the key dates for the audit and also the dates at which Corporate Governance Committee (CGC) will receive reports and updates. The full details of the required communications to those charged with governance are shown in Appendix B of the Audit Plan.

Audit Phase	Timetable	CGC Update	Deliverables
High level planning	April 2016 January – March 2017	22 March 2017	Audit Fee Letter Audit Plan
Risk assessment and scope setting	February/March 2017	24 May 2017	Progress Report
Testing procedures	March 2017	24 May 2017	Progress Report
Year-end audit	July/August 2017	13 September 2017	
Completion of audit	August/September 2017	13 September 2017	Report to those charged with governance Audit Report Audit Completion Certificate Report to NAO on WGA
Conclusion of reporting	October 2017	29 November 2017	Annual Audit Letter

5.5 **Auditor Independence**

The Ethical Standards require that Ernst and Young communicate with the Council on a timely basis on all significant matters that bear on their independence and objectivity. The aim of this is to ensure full and fair disclosure to those charged with governance.

Ernst and Young have highlighted within the Audit Plan threats to their independence and how they expect to mitigate these. The threats include:

- Self-interest threats – other on-going relationships.
- Self-review threats – fees payable to Ernst and Young are disclosed in the financial statements.
- Management threats – making decisions for the Council.
- Other threats – advocacy or intimidation.

6.0 AUDIT FEES

6.1 The total audit scale fee for 2016/17 is £70,758 which is a small reduction of £614 compared to 2015/16.

6.2 It is possible the fee may change if additional work is required because misstatements lead to extra testing, any changes to fees will be discussed with the Council in advance. The fee levels are based on the following assumptions:

- Officers meeting agreed timetable of deliverables.
- Accounts and value for money conclusions are unqualified.
- Appropriate quality of documentation is provided by the Council, and.
- The Council has an effective control environment.

6.3 Fees for consideration of correspondence from public and formal objections will be an additional charge.

7. KEY IMPACTS/RISKS

7.1 The risks associated with the actions in this report are financial statement risks and value for money risks, these risks are addressed in section 3.

8. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

8.1 The plan including key dates and milestones that are necessary in order to complete the audit successfully are included in paragraph 5.4.

9. LINK TO CORPORATE PLAN

9.1 Empower local communities – by providing an Annual Financial Report that provides accurate information on the Council's finances.

9.2 Become more business-like and efficient in the way we deliver services – by ensuring that the audit is well planned and executed.

10. LEGAL IMPLICATIONS

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

11. RESOURCE IMPLICATIONS

11.1 The 2016/17 budget for External Audit Fees is £72,000.

12. OTHER IMPLICATIONS

12.1 No other implications.

13 REASONS FOR THE RECOMMENDED DECISIONS

13.1 It is recommended that the Panel reviews the attached External Audit Plan 2016/17 (**attached as Appendix 1**) and;

- Comments on the plan in general.
- Comments on the level of comfort with the updates the Panel will receive during the audit process.

14. LIST OF APPENDICES INCLUDED

14.1 Appendix 1 – Huntingdonshire District Council Audit Plan 2016/17

BACKGROUND PAPERS

Ernst and Young Audit Plan

CONTACT OFFICERS

Clive Mason, Head of Resources
01480 388157

Adrian Forth, Finance Manager
01480 388605

Huntingdonshire District Council

Year ending 31 March 2017

Audit Plan

22 March 2017

Ernst & Young LLP



Corporate Governance Committee
Huntingdonshire District Council
St Mary's Street
Huntingdon
Cambridgeshire
PE29 3TN

22 March 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Corporate Governance Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Panel's service expectations.

This Plan summarises our preliminary assessment of the key issues which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. We will present you with an update of our Audit Plan at a subsequent meeting when our detailed planning procedures have been completed, and our interim planning work has been performed.

We welcome the opportunity to discuss this Audit Plan with you on 22 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris

Executive Director

*For and behalf of Ernst & Young LLP
Enc*

Contents

1. Overview	1
2. Financial statement risks	2
3. Value for money risks	5
4. Our audit process and strategy	6
5. Independence	10
Appendix A Fees	12
Appendix B UK required communications with those charged with governance	13

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Corporate Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Huntingdonshire District Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council etc., identified through our knowledge of the Council's operations and discussion with those charged with governance and officers. At our meeting, we will seek to validate these with you.

Following completion of our detailed planning and interim audit procedures we will consider if any revisions are required to our identified risk assessment and provide you with an update.

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue recognition	
<p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We will</p> <ul style="list-style-type: none"> ▶ Review and test revenue and expenditure recognition policies. ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias. ▶ Develop a testing strategy to test material revenue and expenditure streams. ▶ Review and test revenue cut-off at the period end date.
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions. ▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Other financial statement risks

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement	
<p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.</p> <p>This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the</p>	<p>Our Approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code. ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported. ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

complexity and manner in which the changes are made.

Valuation and Impairment of Property, Plant and Equipment

Fixed assets represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council will engage an external expert valuer who will apply a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We will obtain an understanding of and evaluate key controls over the valuation of fixed assets.

Where asset valuations are undertaken in-year we will:

- ▶ Agree the source data used by your valuer to supporting records.
- ▶ Assess the work of your valuer, including their valuation expertise.
- ▶ Agree the outputs to your fixed asset register and statements.

Where the Council proposes significant changes to valuation bases we will evaluate the rationale.

Where assets are not revalued in-year, we will review the Council's impairment assessment and consideration of whether the carrying values of these assets remain appropriate.

Pension Liability

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach will focus on:

- ▶ The actuarial expertise used by the Council.
- ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary to the PSAA, PwC.
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.
- ▶ Assessing the reasonableness of the estimations and judgements used.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;

- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. For 2016-17 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this stage, this has not identified any significant risks which we view as relevant to our value for money conclusion. We will keep this under review and revisit this again as at 31 March 2017, updating management and the Committee if our assessment changes.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Our audit involves:

- ▶ Understanding and evaluating key internal controls where we have identified significant risks;
- ▶ Understanding and evaluating the key internal controls in place where we have identified significant classes of transactions and testing the operation of these controls for the selected areas set out below.
- ▶ Reviewing the work of Internal Audit where appropriate to inform the identification of risk and our work on the Annual Governance Statement;
- ▶ Reliance on the work of valuation experts in relation to areas such as pensions, property; the NDR appeals provision; and financial instruments; and
- ▶ Substantive tests of detail of transactions and amounts

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests

- ▶ Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property valuations	Barker Storey Mathews
Pension Liability valuation	BDO / EY Pensions team
Financial Instruments valuations	Arling Close
NDR Appeals Provision	Pixel Financial Management Limited

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;

- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Annual Report.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statement of the Council is £1.7M based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £86,479 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Huntingdonshire District Council is £53,236.

The indicative scale fee does not take into account any additional work that may be required as a result of amendments to the Code changing the way the financial statements are presented. Management are currently evaluating the extent of the change to the Council. Once this has been completed we will consider the audit procedures required to audit the restatement and if required propose a fee for the completion of the work.

Final fees for this work will be confirmed following agreement with officers and confirmation from PSAA.

4.6 Your audit team

The engagement team is led by Neil Harris who has significant experience on local government audit. We have made a small change to the team to increase our capacity to provide efficient client service and to work with your team to deliver the audit in a shorter period of time, in advance of the earlier deadlines of 17/18.

Neil is now being supported by Hayley Clark, a Senior Manager who is responsible for the day-to-day direction of audit work and is the key point of contact for the Finance Manager.

Tony Poynton, your previous audit manager, has been working with Hayley to ensure a smooth transition.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Corporate Governance Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Corporate Governance Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Corporate Governance Committee timetable	Deliverables
High level planning	April 2016 January-March 17	22 March 2017	Audit Fee Letter Audit Plan
Risk assessment and setting of scopes	February - March 17	22 March 2017	Audit Plan
Interim testing of routine processes and controls	March 17	24 May 2017	Progress report if necessary
Year-end audit	July/August 17	13 September 2017	
Completion of audit	August - September 17	13 September 2017	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2017	29 November 2017	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, there are no non-audit fees. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion	53,236*	53,236*	53,236**	*The fee currently quoted is the scale fee as set by PSAA. As set out in section 4.5 there are matters which are likely to alter the planned fee for 2016/17. Once these have been agreed we will provide you with an update. ** We are currently in the process of agreeing a fee variation in relation to the prior year audit. We will provide you with an update once this has been confirmed. See note 1 below.
Total Audit Fee – Code work	53,236	53,236	53,236	
Certification of claims and returns ¹	17,522	17,522	18,136	
Non-audit work	-	-	-	None planned for this year or delivered in the previous year.

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Note 1 – We are finalising our outturn fee for 2015/2016 external audit. Any variation to our fee needs to be approved by PSAA. Our proposed fee variation is due to additional audit work taken to respond to the matters set out in our 2015/2016 Audit Results Report in the following areas:

- Bank reconciliation.
- NDR appeals provision.
- Testing of collection fund, cash flow statement, income, debtors and creditors.
- PPE valuations.
- Classification of investments.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Corporate Governance Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Corporate Governance Committee may be aware of 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement director’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Certification report ▶ Annual Audit letter if necessary

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	External Auditor ISA 260 Report – Implementation of Recommendations
Meeting/Date:	Corporate Governance Committee – 22 March 2017
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Head of Resources
Ward(s) affected:	All Wards

Executive Summary:

At the conclusion of each year's audit work the external auditor issues an Annual Audit Letter, which details their findings and recommendations made along with an indication of the audit fee due. This Letter was submitted and discussed at this Committee on 7 December 2016 which identified 2 control themes and observations. This report explains these 2 control themes and observations and what the Council has done to address these.

Recommendation(s):

The Committee is requested to note and comment as necessary on how the Council has addressed the identified 2 control themes and observations.

1. WHAT IS THIS REPORT ABOUT

- 1.1 At the conclusion of each year's audit work the external auditor issues an Annual Audit Letter, which details their findings and recommendations made along with an indication of the audit fee due. This Letter was submitted and discussed at this Committee on 7 December 2016 which identified 2 control themes and observations.

2. WHY IS THIS REPORT NECESSARY

- 2.1 The Committee is designated as "those charged with governance". This report provides the update on the External Auditors reporting of the 2 control themes and observations.

3. ANALYSIS

- 3.1 The Control Themes and Observations highlighted in the Auditor Annual Letter were:

- **Bank Account statements** – the general ledger codes relating to the income bank account statements did not reconcile to the relevant bank statements.
- **Fixed Assets** – the total revaluation figure provided by the external valuer was not reconciled to the Council's Fixed Asset Register.

4. WHAT ACTIONS WILL BE TAKEN

- 4.1 The 2 Control Themes and Observations highlighted in 3.1 have been addressed, The details are shown below:

- **Bank Account statements** - reconciliations have now been fully completed and reconciled, The reconciliations are processed on a timely manner and within 30 days after each month end. However, this timeline has not been reached for January due to staff resource but will be completed by 15 March 2017.
- **Fixed Assets** – the closing of accounts process for year end revaluation figures in the accounts will be more robust in future, with additional checks put in place.

5. LINK TO THE CORPORATE PLAN

- 5.1 The Annual Financial Report 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".

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 2016/17 budget. Any scale fee variation can be found within the existing budgets.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The Annual Audit Letter concluded the annual audit process and it is good governance to inform the Committee charged with Governance an update on the External Auditor's 2 Control Themes and Observations highlighted and how the Council has addressed these.

9. LIST OF APPENDICES INCLUDED


None

BACKGROUND PAPERS

Working papers are held in Resources

CONTACT OFFICER

Adrian Forth, Finance Manager

 01480 388605

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Accounting Policies for the Annual Financial Report 2016/17
Meeting/Date: Corporate Governance Committee 22 March 2017
Executive Portfolio: Resources: Councillor J A Gray
Report by: Finance Manager
Ward(s) affected: All Wards

Executive Summary:

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

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

As noted in paragraph 3.1, there are two minor changes to existing accounting policies, one significant change and one new accounting policy. Three of these changes will have no direct impact on the Council's general fund balance; however one of these changes aims to reduce the impact of the cost of borrowing for investment in commercial assets from 2017/18 onwards.

Recommendation(s):

It is recommended that the Committee approves the amendments to the accounting policies noted within Appendix 1.

1. WHAT IS THIS REPORT ABOUT?

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

2. BACKGROUND

- 2.1 Accounting policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its statement of accounts.
- 2.2 Except where specified in the "Code of Practice on Local Authority Accounting in the United Kingdom 2016/17" or in specific legislative requirements, it is for an authority to select the accounting policies that are most appropriate to its particular circumstances.
- 2.3 Best practice requires the Council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods. Such review and approval should occur prior to the financial year-end, thus allowing officers to produce the statement of accounts based on the approved accounting policies.
- 2.4 Consequently, the Committee are asked to approve the accounting policies for 2016/17 (shown in Appendix 1); taking the 2015/16 accounting policies as the base.

3. ANALYSIS

Accounting Policies for 2016/17

- 3.1 Of the 27 accounting policies that were approved for 2015/16 (please refer to the final copy of the Annual Financial Report approved by the Panel last September), **Table 1** below shows that for 2016/17 four policies require amendment with two of these being considered significant.

Reason for change in the accounting policy	Number of Accounting Policies categorised under the reason for change	Accounting Policy Affected
No change	24	n/a
Minor update for formatting or a change that does not have a significant impact e.g. change in references to financial year	2	<ul style="list-style-type: none">• General Principles• Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors
Significant change in accounting policy e.g. change in amounts (£)	1	<ul style="list-style-type: none">• General MRP Policy in respect of when MRP is first charged.
New accounting policy	1	<ul style="list-style-type: none">• CIS MRP Policy – Financing Expenditure with Maturity Loans. This is a new policy of 2017/18.

- 3.2 It is envisaged that the proposed:
- minor changes to the accounting policies will not have any direct financial implications.
 - MRP policy in respect of the Commercial Investment Strategy will not have an impact in respect of 2016/17 closure. However, as the Commercial Investment Strategy moves into 2017/18, this policy will allow the Council to not make an MRP where maturity loans meet certain stated requirements. This policy was approved by Cabinet in February 2017 and subsequently by Council.

3.3 If during the closure process it transpires that further changes to the accounting policies are required; where the change:

- Does result in a movement in the Council's "cash reserves" or balances, then this will be brought to the attention of the Responsible Financial Officer, Portfolio Holder for Resources and the Chair of this Committee at the earliest opportunity and then presented to members when the accounts are presented for approval in September 2017.
- Does not result in a movement in the Council's "cash" reserves or balances,

This will be reported to the Responsible Financial Officer and then to members when the accounts are presented for approval in September 2017.

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

- 4.1 During the preparation of the statement of accounts, the working papers, practices and associated documents will be updated to reflect the changed accounting policies to ensure that the statement of accounts are prepared to the correct legislation and regulations.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 5.1 Upon approval, these accounting policies will be included in the 2016/17 statement of accounts.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Codes of Procurement and Financial Management come under the "Ensuring we are a customer focused and service led Council delivering value for money services" aspect of the Corporate Plan, and enabling the Council to "*Become more business-like and efficient in the way we deliver services*".

7. LEGAL IMPLICATIONS

- 7.1 No legal implications are known at this time.

8. RESOURCE IMPLICATIONS

- 8.1 Resource implication are noted within the report.

9. OTHER IMPLICATIONS

- 9.1 No other implications are known at this time.

10. REASONS FOR THE RECOMMENDED DECISIONS


- 10.1 It is recommended that Corporate Governance Committee reviews and approves the changes to the accounting policies for 2016/17 statement of accounts.

BACKGROUND PAPERS

Working papers are held in Resources.

CONTACT OFFICER

Adrian Forth, Finance Manager

 01480 388605

Accounting Policies Used within 2015/16 Annual Financial Report <i>Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</i>	Proposed Accounting Policies for 2016/17 Annual Financial Report <i>Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</i>	Reasons for change in accounting policy (see key at the end of annex)
<p>General Principles The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).</p> <p>The underlying concepts of the accounts include the:</p> <ul style="list-style-type: none"> • Council being a 'going concern' – all operations continuing • Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place • Primacy of legislative requirements – legislation overrides standard accounting practice <p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the</p>	<p>General Principles The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).</p> <p>The underlying concepts of the accounts include the:</p> <ul style="list-style-type: none"> • Council being a 'going concern' – all operations continuing • Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place • Primacy of legislative requirements – legislation overrides standard accounting practice <p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the</p>	<p>B</p>

<p>revaluation of certain categories of non-current assets and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	<p>revaluation of certain categories of non-current assets and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	
<p>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2015/16, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p> <p>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</p>	<p>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2016/17, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p> <p>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</p>	B

<p>MRP Policy</p> <p>For each capital investment undertaken under the requirements of the Council's Commercial Investment Strategy, MRP will be made that is equal to the principal repayment for any loan finance supporting the investment.</p> <p>For each financial year, MRP will be charged in the following the completion of the scheme.</p>	<p>MRP Policy</p> <p>For each capital investment undertaken under the requirements of the Council's Commercial Investment Strategy, MRP will be made that is equal to the principal repayment for any loan finance supporting the investment.</p> <p>In respect of General MRP Policy capital assets, MRP will be chargeable in the year following the agreement of any final account. For each financial year, For other capital investments MRP will be charged in the following the completion of the scheme.</p> <p>CIS MRP Policy – Financing Expenditure with Maturity Loans. This is a new policy of 2017/18.</p> <p>Maturity Loans are similar to interest only mortgages, in that only interest is paid during the life of the loan with the loan principal being repaid at the end of the term (by either the Council taking out a further loan or selling the asset and repaying the loan from the capital receipt; with a possible net capital gain). To undertake such financing, a new MRP Policy would be required that included some specific safeguards to ensure that the use of capital finance remained prudent.</p> <p>However, the advantage of Maturity Loans for the Council is that over the life of the loan, the net benefit from the ongoing income stream would be greater as the Council would only have to repay interest on an annual basis and not meet annual principal repayments. The following example clearly demonstrates the revenue advantage of financing by Maturity Loan compared to an Annuity Loan; in that the additional</p>	<p>A</p> <p>C</p> <p>D</p>
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	<p>revenue stream over the life of the asset is £7.0m.</p> <ul style="list-style-type: none"> • If a CIS Asset of £10m was acquired with an annual income stream of £625k (pessimistic, giving a yield of 6.2%) and held for 20 years, the net revenue stream for a: <ul style="list-style-type: none"> ○ Maturity Loan would be £7.2m (£359k per annum). ○ Annuity Loan would be £140k (£7k per annum). <p>There the benefit for a Maturity Loan is £7.0m (£352k per annum).</p> <p>Any new MRP Policy to support this activity must ensure that the principles of prudence are adhered to. The principles, are noted in “i to ii” below:</p> <ul style="list-style-type: none"> • The CIS asset would be required to be directly linked to the loan finance; this could be agreed retrospectively by Cabinet following acquisition. However, the link could only be broken by a specific decision of Full Council. The Councils Constitution would be required to be changed to reflect this. • The CIS asset is valued on an annual basis, in line with the Councils Accounting Policy for Investment Assets. If it is established that the value of the asset is less than the loan, then an MRP payment will be required, based on an Annuity Loan, and the MRP payment will continue to be charged until the Asset Value is greater than the loan. <p>The actual policy is for each capital investment undertaken under the requirements of the Councils Commercial Investment Strategy, where it has been decided that a</p>	
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	<p>Maturity Loan is advantageous, no Minimum Revenue Provision shall be made providing that:</p> <ul style="list-style-type: none"> • The capital investment is directly linked to the Maturity Loan, with the stated intention that at loan maturity the asset is sold or replacement finance is provided. • Cabinet will record the decision in (i) above (this may be done retrospectively i.e. after an acquisition). The link between Asset and Loan can only be broken by a decision of Full Council. • There is annual revaluation of the CIS investment in line with the Councils Accounting Policy in respect of Investment Assets. If it is established that an asset has a value less than the loan then an annual MRP amount will be calculated, based on Annuity basis and continue to be charged until the value of the asset is greater than the loan. 	
<p>Year of depreciation charge</p> <p>The depreciation charge will generally commence in the year after the addition of the asset, unless the in-year depreciation charge would have a material impact.</p>	<p>The depreciation charge will generally commence in the year after the addition of the asset, unless the in-year depreciation charge would have a material impact.</p>	<p>A</p>
<p><u>Clarifications for Reasons for Changes to/New Accounting Policies</u></p> <p>Key:</p> <p>A: No change.</p> <p>B: Minor update for dates, formatting or changes in accounting policy that do not have a significant impact on financial reporting.</p> <p>C: Significant change in accounting policy.</p> <p>D: New accounting policy.</p>		

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Internal Audit Service: Internal Annual Plan
Meeting/Date: Corporate Governance Committee – 22 March 2017
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Ward(s) affected: All Wards

Executive Summary:

This report details Internal Audit's annual planning process and seeks approval for the Internal Audit Plan for the period 1 April 2017 to 31 March 2018 (2017/18 plan).

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

The plan for 2017/18 is attached. It is based on delivering 412 days. This is 50 days lower than would be expected, due to an internal auditor being seconded to the Transformation project. Rather than advertise for a temporary 12 month replacement, a decision has been taken to ask BDO (the contracted IT auditor) to fill the vacancy. Financial restraints mean that a like for like replacement cannot be made. The IARM is of the opinion that a one-off reduction in resources would not affect the long term viability of the service or the ability to undertake sufficient work to support the annual opinion statement.

Recommendation:

It is recommended that the Committee approve the Internal Audit Plan for 2017/18.

1. WHAT IS THIS REPORT ABOUT?

- 1.1 This report is about the internal audit planning process and internal audit plan for the year commencing April 2017.

2. BACKGROUND

- 2.1 The Committee's terms of reference include approving the internal audit plan and its resourcing requirements.
- 2.2 The Accounts and Audit Regulations 2015 require that the Council '...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance'.
- 2.3 The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit & Risk Manager (IARM) to "establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals".

In addition the PSIAS also require that the risk based-plan must

- take into account the requirement to produce an annual internal audit opinion;
- incorporate a strategic high-level statement of how the internal audit service will be delivered and developed and how it links to the organisation objectives and priorities;
- explain how internal audit's resource requirements have been assessed; and .
- include the approach to using other sources of assurance and any work required to place reliance upon those other sources.

Further, the IARM must review and adjust the plan as necessary, in responses to changes in risks, operations, programs, systems, and controls.

3. OPTIONS CONSIDERED/ANALYSIS

Audit planning

- 3.1 The IARM maintains a strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk (as identified by the risk register) and system area. To allow for more effective planning, a number of audit areas have been combined so that audits can address common risk themes across services, rather than be conducted on a service by service basis.
- 3.2 Discussions have been held with the Senior Management Team to ensure that the strategic audit plan is reflective of all issues across the Council and to allow new areas to be identified. Committee Members have also been given the opportunity to contribute to the planning process.
- 3.3 After completing the strategic plan review, the annual audit plan is prepared by considering service delivery issues, individual risks, materiality and previous audit review findings. The highest priority schemes which can be delivered with the resources available are then included in the audit plan.

Internal Audit resources

3.4 The Internal Audit establishment is currently 2.86 full time equivalents. One member of the team has recently been seconded to the Transformation Programme for one year. If the post were not filled, then internal audit resources would be insufficient to deliver an audit plan that provides sufficient coverage.

3.5 After considering the recruitment options available, the potential costs of recruitment and the likelihood that an external appointment may not be in a position to start work immediately, the IARM decided not to advertise the post. Instead, BDO (IT internal audit service provider) have been asked to undertake a number of general audits. Both the Corporate Management Team and the Head of Resources approved this approach.

At the time of writing this report, BDO have agreed in principle to deliver 140 audit days during 2017/18. The cost of this work can be funded from the current service budget and will be based on day rates set out in the BDO tender submitted in July 2016. The work will be conducted by professionally qualified staff.

3.6 The contact for IT internal audit services allows for 70 days work to be provided during 2017/18. The full allocation of days will be used.

3.7 The allocation of internal audit resources (taking into account the days to be provided by BDO) is detailed below.

2017/18

	days	days	
Internal Audit Service resources		694	
Less Leave, sick, elections etc.	66		
Staff development & training	12		
Management	71		
Effectiveness review and Lean	11	160	Non chargeable time
		534	Chargeable time
Less Risk Management & Insurance	30		
General advice	38		
Corporate Governance Cttee	15		
Follow-up reviews	12		
4action – reporting	6		
Annual Governance Statement	6		
Contingency	15	122	
		412	Delivery of the audit plan

3.8 The Committee has previously agreed that the audit plan needs to be dynamic to reflect the changing risk and control environment. There will be the need to advance, defer, add or remove audits throughout the year. The audit plan for 2017/18 is attached. It is based on the service delivering 412 audit days.

The audit plan lists all the areas that, without any change in circumstances, require review during the year. Committee are being asked to approve the plan, but allow the IARM to amend it as he considers necessary. As in past years, the IARM will consult with both the Head of Resources and the Chairman of the Committee on any amendments that are planned. Significant changes to the plan will be reported to the Committee.

- 3.9 The internal audit plan does not contain any reviews that could be classified as a 'consultancy' review within the terms of the Internal Audit Charter. If any 'consultancy' work is undertaken then the Head of Resources and Chairman of the Committee will be informed.

Lean review

- 3.10 As part of the Council's transformation project, the Internal Audit Service has been the subject of an external Lean review. At the time of writing this report, the results of the review have not yet been agreed. One of the changes proposed is around the audit planning and audit plan process.
- 3.11 It is proposed that a more flexible planning approach is introduced. Removing from Committee the need to approve an annual plan with a more innovative, fluid planning approach. The change is intended to build upon the approach outlined in 3.8 above and ensure that internal audit reviews undertaken through the course of the year are always the most relevant, rather than be taken from a list approved once a year. The Committee will be provided with a further update on the changes proposed once the detailed procedures and supporting process have been completed.

Other sources of assurance

- 3.12 The PSIAS requires that the audit plan planning process takes into account other sources of assurance that will be available during the year. Managers have been requested to provide details of any planned reviews from which assurance could be obtained so as to avoid/minimise duplication of effort. With the exception of the statutory external audit of the accounts and the housing benefit grant claim, no other external assurances have been identified for 2017/18.

4. KEY IMPACTS HOW WILL THEY BE ADDRESSED?

- 4.1 The non-delivery of the internal audit plan may lead to a shortfall in assurance on the internal control environment and potential criticism from the external auditors.
- 4.2 Having insufficient or inexperienced auditors to deliver the audit plan is a key risk. Resources are sufficient to allow the annual plan to be delivered. Staff resources are considered when progress against the plan is reviewed by the IARM each quarter. If the IARM believes that staff resources are insufficient, then the matter will be reported to the Committee.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 5.1 The audit plan will be delivered from April 2017.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Internal Audit Service through the audit plan contributes to all the strategic themes and outcomes. Specifically it supports Corporate Management Team and Heads of Service by undertaking reviews that provide assurance that:
- significant risks identified in the risk register are managed effectively;
 - laws and regulations are being met,
 - business and financial processes and systems are managed

- effectively; and
- assets are safeguarded.

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

7. CONSULTATION

- 7.1 The IARM has consulted on audit plan coverage with all members of the Senior Management Team. In addition, all members of the Committee have been given the opportunity to raise any issues that they feel need to be included in the strategic audit plan.

8. RESOURCE IMPLICATIONS

- 8.1 The service budget is sufficient to deliver the audit plan.

9 REASONS FOR THE RECOMMENDED DECISIONS

- 9.1 The Committee's terms of reference require it to approve the internal audit plan.

10. LIST OF APPENDICES INCLUDED

Appendix 1 – 2017/18 Internal audit plan

BACKGROUND PAPERS

Strategic audit plan
The Council's risk register

CONTACT OFFICER

David Harwood, Internal Audit & Risk Manager
Telephone: 01480 388115



INTERNAL AUDIT SERVICE

Internal Audit
&
Assurance Plan
2017 - 2018

Internal Audit & Assurance Plan 2017- 2018

The Internal Audit & Assurance Plan for the period April 2017 to March 2018 has been prepared in accordance with the Public Sector Internal Audit Standards.

The Standards require that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the annual statement of assurance on corporate governance. The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as at 9 February 2017 have been included within the strategic audit plan, although not all of those risks, when considering the service issues identified or alternative assurance available, are required to be audited. Reviews that have clear links to risks within the risk register will consider the effectiveness of the controls that are in place to manage the risks identified. They will also consider the manager's assurance opinion entered into the risk register.

At the time of preparing the audit plan it is envisaged that all the audits contained in the plan will be undertaken. The identification of any new risks or significant changes in residual risk scores, may require changes to the proposed plan so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. The Head of Resources and Chairman of the Corporate Governance Committee will be informed of any changes before they are introduced.

The detailed audit plan will be prepared on a 3+9 basis – that is a detailed three month plan, supported by a rolling nine month 'fluid' plan. The nine month plan will take account of new or changed risks, new initiatives and developments and ensure that right piece of work is always the right one to be undertaken.

The annual assurance opinion that I provide will be based upon the findings of the reviews carried out.

In addition to undertaking the audits detailed in the plan, time is also available for Internal Audit to provide both specialist (e.g. on new systems or developments) as well as general advice and assistance to managers, dealing with any whistleblowing allegations received and attending quotation openings to observe managers compliance with the Code of Procurement. The outcomes from this work will also inform the annual assurance opinion.

David Harwood
Internal Audit & Risk Manager
March 2017

Internal Audit and Assurance Plan 2017-18

Vision	We want to improve the quality of life, deliver economic growth and provide value for money services for the people of Huntingdonshire	
Strategic priorities	Enabling Communities Delivering Sustainable Growth Becoming a more efficient and effective Council	
<i>Reviews</i>	Assets of community value Ethical standards One Leisure - Café One Leisure - Income Housing benefit Food safety S106 agreements Community Infrastructure Levy Countryside Services IT audits <i>IT project management</i> <i>Hornbill application</i> <i>FMS application</i>	Compliance with the Code of Procurement The use of Consultants and IR35 Payroll Maintenance of operational property The management of health & safety Internal & external communications Waste collection services Grounds maintenance & street cleaning New employees – probationary periods <i>Data protection compliance</i> <i>Network security – Patch & vulnerability management, firewall, anti-virus & malware, intrusion detection</i>
Strategic Resource Plan	Income Generation Efficiencies & Growth	
<i>Reviews</i>	Management of cash flow Commercial estate management Apprenticeship scheme Client management of shared services Commercialisation – governance framework	Financial management system Value for Money from procurement

In addition to the assurance that will be provided on the areas listed above, work will also be undertaken on the following areas:

- quarterly reviews of the significant controls within the following financial systems - main financial system, accounts payable and receivable, council tax and business rates;
- reviews of two specific contracts to ensure compliance with the Code of Procurement;
- providing help and advice to managers;
- follow-up reviews of agreed audit actions introduced;
- attendance at quotation openings,
- managing whistleblowing allegations;
- reviewing and investigating National Fraud Initiative output;
- quality assessment of audit work undertaken and file review; and
- supporting the work of the Corporate Governance Committee through the delivery of training, preparation of the annual governance statement, effectiveness reviews and annual reporting.

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Audit Actions

Meeting/Date: Corporate Governance Committee – 22 March 2017

Executive Portfolio: Strategic Resources: Councillor J A Gray

Report by: Internal Audit and 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 28 February 2017 is summarised below.

	Introduced on time	Introduced Late	Not introduced	Total
Red Action	10	7	3	20
Amber Action	35	34	22	91
Total	45	41	25	111
% age	40%	36%	24%	

The 25 actions that have not been introduced are the responsible of the following Managers

	Total
Head of Digital and IT	14
Corporate Team Manager	3
Head of Resources	2
Managing Director	2
Head of Development	2
Corporate Director - Services	1
Head of Customer Services	1

At December 2016 meeting, Committee asked for a breakdown of the period of time that actions had been outstanding. This information is summarised below.

Outstanding by: 1 month	5
2- 3 months	15
4 -6 months	5

Recommendation:

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

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

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 28 February 2017.

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 have since requested that update reports be presented to future meetings until such time as performance was judged satisfactory.

3. ANALYSIS

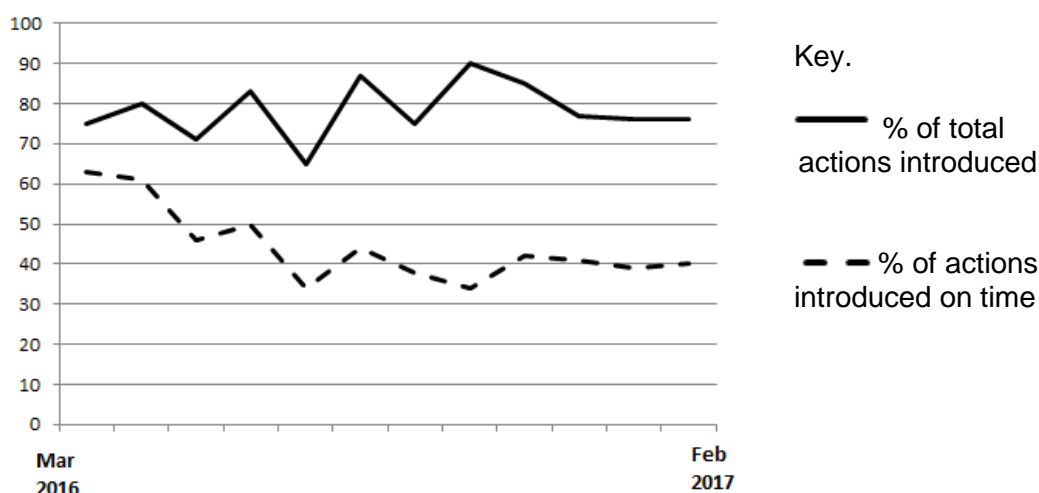
3.1 100% of agreed internal audit actions are to be introduced on time. That target has been set by the Corporate Management Team.

3.2 111 actions were due to be introduced in the year ending 28 February 2017. 40% (45 in number) of those were introduced on time. A further 37% (41 in number) were introduced, but late. The remaining 23% (25 in number) are outstanding. No action is outstanding by more than six months.

This information is summarised in the table below, which is ordered by number of actions introduced on time.

Head of Service	No. of Actions				Months actions overdue:		
	On time	On time & late	Overdue	Total	1	2-3	4-6
Managing Director	10	12	2	14		2	
Corporate Team Manager	9	24	3	27	2	1	
Head of Resources	6	14	2	16			2
Head of Customer Services	5	7	1	8	1		
Head of Leisure & Health	4	11	0	11			
Corporate Director – Services	4	4	1	5		1	
Head of Operations	3	4	0	4			
Head of Digital and ICT	2	5	14	19	2	9	3
Head of Development	2	3	2	5		2	
Head of Community Services	0	2	0	2			
Totals	45	86	25	111	5	15	5
% Totals	40%	77%	23%	100%			

3.3 Overall performance for the year ending 28 February 2017 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 so 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.

BACKGROUND PAPERS

Audit actions contained in the 4action system

CONTACT OFFICER

David Harwood, Internal Audit and Risk Manager
Tel No. 01480 388115
Email: david.harwood@huntingdonshire.gov.uk

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**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Progress on issues arising from the 2015/16 Annual Governance Statement

Meeting/Date: Corporate Governance Committee – 22 March 2017

Executive Portfolio: Resources: Councillor J A Gray

Report by: Internal Audit & Risk Manager

Ward(s) affected: All Wards

Executive Summary:

The 2015/16 Annual Governance Statement (AGS) included two areas for improvement:

- i. The need to improve debt management; and
- ii. The continued development of effective governance and reporting arrangements for shared services.

Action has been taken against each area as follows:

Debt management

In the 9 month period ending February 2017, outstanding debt has reduced from £2.2m to £1.1m. A Debt Management Policy is currently being approved which together with the implementation of the new financial management system is expected to further improve processes and efficiencies with the intention of further reducing debt.

Shared services

Governance practices are working effectively. Both the Partnership Board and 3C Management Board are meeting regularly, providing oversight, dealing with performance and operational issues. Three nominated Heads of Service each have responsibility for the client management function of one shared service with the intention that day to day management forms part of business as usual performance monitoring.

Due to the progress that has been made across both areas, the Corporate Management Team are satisfied that the action taken addresses the concerns recorded in the AGS.

Recommendation:

It is recommended that the Committee consider and take into account the progress that has been made in introducing the key improvement areas arising from the 2015/16 AGS when undertaking their 2016/17 governance review.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 This report informs the Committee of the progress that has been to date in introducing the two key improvement areas that were contained in the 2015/16 Annual Governance Statement (AGS).

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Committee need to be assured that sufficient action has been taken to deal with the two areas for improvement identified.
- i. The need to improve debt management; and
 - ii. The continued development of effective governance and reporting arrangements for shared services.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 The current position is set out below. The deadline set for delivering both areas for improvement was 31 March 2017.

i. The need to improve debt management.

The debt management over the last 9 months has improved due to stability in the Income Team which has resulted in outstanding debt reducing from £2.2m in July 2016 to £1.1m in February 2017. Further improvements will be an updated Debt Management Policy that has been written and is going through the approval process and the implementation of the new FMS which will improve processes and efficiencies.

ii. The continued development of effective governance and reporting arrangements for shared services.

The Partnership Board comprising of Chief Executives/ Managing Directors and the three Corporate Director leads continues to meet to provide strategic oversight and performance manage the joint services whilst looking for further opportunities to increase performance and create additional savings.

The 3C Management Board meets quarterly and is having a positive impact in ensuring that operational decisions are made (within the agreed parameters) at the right level and that consistency in leadership is given across the shared services.

The client function is now managing the operational day to day performance, with the intention of making the day to day management part of the Councils business as usual performance monitoring.

- 3.2 The Corporate Management Team are satisfied that the action taken to date addresses the concerns recorded in the AGS.

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

- 4.1 If sufficient and timely action is not taken, this may lead to the actions having to be repeated in the 2016/17 AGS and
- adverse comments being reported by the external auditor;

- poor governance procedures remaining in place which may affect the delivery of the Council's objectives.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

5.1 Action has already been taken as set out above.

6. LINK TO THE CORPORATE PLAN

6.1 Good corporate governance structures underpin everything that the Council does. Effective delivery of the Corporate Plan requires sound procedures and processes to be in place. These seek to ensure that decision making complies with laws, regulations and proper governance practices.

7 REASONS FOR THE RECOMMENDED DECISIONS

7.1 The Committee require assurance that the areas for improvement identified during the 2016/17 annual governance review process are being addressed.

BACKGROUND PAPERS

Annual Governance Statement 2015/16

CONTACT OFFICER

David Harwood, Internal Audit & Risk Manager
Telephone: 01480 388115

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Review of the Effectiveness of the Corporate Governance Committee
Meeting/Date:	Corporate Governance Committee – 22 March 2017
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary:

The Committee held an informal meeting on the 25 January to consider their own effectiveness. Nine Members of the Committee were present. Following the review, the Chairman of the Committee concluded that it acted on an apolitical basis, has sufficient authority and resources to fulfil its terms of reference and performed its role effectively and independently.

A number of opportunities to improve the effectiveness of the Committee were identified and are summarised below.

1. The Committee's terms of reference should be amended to reflect its role and responsibility (see Appendix 1).
2. The Chairman should reinstate private meetings with the external auditor.
3. The Head of Resources deliver training to the Committee ahead of the meeting at which the financial statements are presented.
4. The Head of Resources agree a training plan for Committee Members with the Committee Chairman.
5. An induction plan is agreed by the Chairman and delivered to all new Committee members within eight weeks of their appointment to the Committee.
6. A draft copy of the minutes are circulated by email to Committee Members shortly after a meeting has been held. (Note: due to current staffing changes within Democratic Services, this may not be possible to introduce immediately).
7. The Committee consider whether or not it wishes to expand its work plan and receive reports on significant cross-cutting organisation wide issues.
8. The Committee consider whether or not it wishes to introduce the concept of 'subject experts' and if so, agree how to proceed.

The Corporate Governance Committee undertook its first effectiveness review in 2008. Including this year, all of the reviews (7 in the last 10 years) have been based

on a set of 'best practice' questions, prepared and updated as necessary, by the Internal Audit & Risk Manager.

Whilst the Committee have expressed a wish that the annual reviews continue. it may be appropriate to consider commissioning an external review once every five years so that a fresh perspective on the Committee's effectiveness is obtained. It is estimated that this will cost approximately £5k. No budget is currently available to fund this review.

Arising from the last review in 2015, three actions were agreed. All have been introduced (see Appendix 2).

Recommendations:

It is recommended that the Committee:

1. Comment upon the outcome of the review of its effectiveness;
2. Recommend to Council the changes proposed to its terms of reference;
3. Endorse the opportunities (items 3 – 6 inclusive above) that have been identified to further improve Committee effectiveness;
4. Decide what action it wishes to take in respect of expanding its work plan (item 7 above) and introducing 'subject experts' (item 8 above); and
5. Decide whether an external review of effectiveness should be commissioned.

1. PURPOSE OF THE REPORT

- 1.1 This report summarises the outcome of the informal Corporate Governance Committee meeting held on 25 January 2017 when it considered its overall effectiveness.

2. BACKGROUND

- 2.1 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. The Committee and its predecessor Panel have undertaken a review in seven of the last nine years.
- 2.2 The Internal Audit & Risk Manager reviewed the previous checklist of questions and that had been used to assess effectiveness to ensure they remained appropriate and covered all areas of the Committee's terms of reference.
- 2.3 The questions have been compiled over a number of years and are based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) and the National Audit Office good practice documentation supplemented by best practice within the private sector. The review considered 74 questions together with a range of supplementary information.

3. OUTCOME OF THE REVIEW

- 3.1 The Chairman of the Committee is of the opinion that the Committee are acting effectively and fulfilling its terms of reference. A number of opportunities to further improve Committee effectiveness have been identified and are detailed below.

Issue

1. The Committee's terms of reference do not accurately reflect its role and responsibilities. They do not refer to the Committee's role in:
- Considering and recommending to Council changes to the constitution;
 - Monitoring counter-fraud and whistleblowing arrangements; and
 - Reviewing value for money arrangements.

The opportunity should also be taken to clarify the Committee's role as 'Board' within the Public Sector Internal Audit Standards and its decision that it will submit an annual report to Council (as per the recommendation made in September 2016).

2. For reasons that were out of the control of the Chairman and Vice-Chairman, they were unable to meet privately with the external auditor prior to the Committee considering the

Action to taken

Amended terms of reference (see Appendix 1) to be submitted to Council for approval.

(All of the proposed changes to the terms of reference have been clearly marked within the Appendix).

Reinstatement of the private meeting with the external auditor (which will also add to understanding in respect of item e below).

2015/16 annual financial statement.

- | | | |
|----|---|--|
| 3. | The Committee needs to be confident that the financial statements have been produced accurately and in compliance with relevant guidelines. | The Head of Resources deliver training to the Committee ahead of the meeting at which the financial statements are presented. |
| 4. | Whilst a skills and needs assessment has recently been completed by Committee Members the resulting training plan has not yet been agreed. | A training plan will be agreed with the Committee Chairman. |
| 5. | There is no induction plan for new Committee members. | An induction plan is agreed by the Chairman and delivered to all new Committee members within eight weeks of their appointment to the Committee. |
| 6. | It was felt that the minutes of meetings are not circulated quickly enough. The minutes of the last meeting are published within the agenda pack for the forthcoming meeting. This is too long for Members to be able to recollect accurately the decisions taken or discussions held. | A draft copy of the minutes are circulated by email to Committee Members shortly after a meeting has been held. |
| 7. | Whilst the Committee's work plan allowed it to fulfil its terms of reference, it was felt that its contribution to improving governance could be extended through considering reviews of significant cross-cutting organisation wide issues. This would assure the Committee that processes were sound and give them more confidence in the content of the annual governance statement. The Committee was clear that any expansion of work should not usurp the work of other Committees or Panels. | The Committee consider whether or not it wishes to expand its work plan and receive governance reports on significant cross-cutting organisation wide issues (e.g. procurement, project management, budgetary control, ethical governance. IT security, staff recruitment and training). |
| 8. | Is there an opportunity for Members with a particular aptitude for a specific area of the Committee's work to become 'subject experts'. Whilst they could take the lead on an item when it came before the Committee, it would not preclude other Members from questioning as necessary. | The Committee consider whether or not it wishes to introduce the concept of 'subject experts' and if so, agree how to proceed. |
- 3.2 There were three actions arising from the last effectiveness review which was completed in 2015. All have been introduced. The table in Appendix 2 provides more information.

4. KEY IMPACTS / RISKS

- 4.1 The Committee needs to remain effective so that it can provide, on behalf of the Council, independent challenge to both the Executive and Officers. The annual review gives the Committee the opportunity to review how it has worked and how it can improve.
- 4.2 It is proposed that annual reviews of the Committee continue. As with internal audit, it may be appropriate to consider commissioning an external review once every five years so that a fresh perspective on the Committee's effectiveness is obtained. If it is decided that an external review is to be undertaken, consideration should be given to holding it at the same time as the next external review of internal audit (which has to be no later than March 2019).

5. TIMETABLE FOR IMPLEMENTATION

- 5.1 A report will be presented to the Committee in September 2017 outlining the progress that has been made in introducing the agreed actions.

6. LINK TO THE CORPORATE PLAN

- 6.1 An effective Committee plays a key role in the Council's governance framework. It provides the Council with an independent and objective source of assurance on matters relating to financial reporting, internal control, risk management and internal and external audit etc. Good governance underpins all aspects of delivery of the Corporate Plan.

7. RESOURCE IMPLICATIONS

- 7.1 Depending on the decision of the Committee, there may be a number of actions that will need to be introduced. If these cannot be delivered within existing resources, the Committee will be informed at its next meeting of any additional resources required.
- 7.2 No budget is currently available to fund an external effectiveness review. If the decision is taken by the Committee to go-ahead with an external review, then it is estimated that it will cost approximately £5k. A growth bid would be required for the 2018/19 budget.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The effectiveness review identified many areas of good practice. Improvements to procedures and process can always be made and the review has highlighted a number of such areas. If introduced, these will both improve the effectiveness of the Committee and the governance of the Council.

9. LIST OF APPENDICES INCLUDED

- Appendix 1 – Proposed terms of reference.
Appendix 2 – Action Plan arising from the 2015 effectiveness review

BACKGROUND PAPERS

Effectiveness review of the Corporate Governance Committee

CONTACT OFFICER

Name/Job Title: David Harwood, Internal Audit & Risk Manager

Tel No: 01480 388115

Email: david.harwood@huntingdonshire.gov.uk

Corporate Governance Committee : Proposed terms of reference

To discharge the functions of the Council in relation to the Corporate Governance of the Council and to be the Council's "Audit" Committee.

These responsibilities include:

1. Considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council'
2. Governance - Regularly reviewing the Council's Code of Corporate Governance and recommending any changes to the Council and approving the annual governance statement and reviewing the achievement of any outstanding improvements.
3. Ensuring there are effective arrangements for the management of risk across the Council.
4. ~~Ensuring there are effective arrangements for the system of internal audit of the Council including:~~
 - ~~• considering a regular review of its effectiveness~~
 - ~~• reviewing and approving the internal audit charter;~~
 - ~~• approving internal audit plans and receiving reports on progress in delivery.~~

Fulfilling the Board responsibilities of the Public Sector Internal Audit Standards and ensuring effective internal audit is undertaken in accordance with those Standards.
5. Receiving and considering external audit reports including the adequacy of management response to issues identified.
6. Final Accounts - Approving the accounting policies, statement of accounts and considering any matters arising from the external audit.
7. To consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
8. Reviewing and monitoring the policy and procedure and arrangements for investigating disclosures under the Public Interests Disclosure Act 1999 (Whistleblowing).
9. Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud.
10. The promotion and maintenance of high standards of conduct within the Council.
11. To advise the Council on the adoption or revision of its Codes of Conduct for Members.
12. The promotion and maintenance of high standards of conduct within the town and parish councils within Huntingdonshire.
13. To advise the Council on the adoption or revision of a Protocol for Member/Officer relations.
14. To advise the Council on the adoption of a Code of Conduct for Planning and monitoring operation of the Code. ~~(See Article 9 for further detail.)~~

15. Consideration of reports by the Local Government Ombudsman including compensatory payments.
16. Consider the periodic electoral review and review District and Parish electoral arrangements including boundaries and other electoral matters.
17. Through the Chairman, the Committee will provide the Council with an Annual Report, timed to support finalisation of the financial statements and the Governance Statement, on how it has discharged its responsibilities.

**Standards Sub-Committee
(To include Independent Person and Parish Council representatives)**

To authorise the Monitoring Officer, in consultation with the Chairman of the Corporate Governance Committee, to appoint to the Standards Sub-Committee as and when it is required to be convened.

Functions relating to standards of conduct of members under any relevant provision of, or regulations made under, the Localism Act 2011.

End.

Note:

The changes have been highlighted in grey (new text) or lined through (deleted text).

Action Plan arising from the 2015 effectiveness review

Ref	Issue	Action Proposed	To be completed by	Current position
1	As recommended by the Committee in September 2013 arising from the report on improving internal controls, a procurement strategy should be introduced.	A Procurement Strategy is introduced.	31 March 2016	Cabinet approved a procurement policy in December 2015
2	Five new Members were appointed to the Committee in May 2015. In order to get a clear idea of all Committee Members current knowledge of governance matters, a skills assessment should be completed so that training needs can be identified and addressed.	The Head of Resources to circulate to Committee a skills assessment questionnaire based upon the CIPFA knowledge & skills framework.	31 October 2016	Issued in August 2016. Training needs discussed at CGC December 2016.
3	Whilst Cabinet are now responsible for approving the risk management strategy and ensuring that risk management procedures are in place across the Council, the Committee require assurance that these arrangements are working effectively.	<p>The Head of Resources will provide Committee with an annual report that provides them with assurance on the risk governance arrangements (including leadership, integration of risk management into wider governance arrangements, ownership and accountability for risks including project management).</p> <p><i>NB – The annual report will supplement reports received in the normal course of the Committee's business (e.g. follow-up of risks identified by the external/internal auditor, delivery of annual governance statement issues, internal audit plan coverage and in year response to changes in risk).</i></p>	The report to be presented to the June 2016 Committee meeting	Risk management update report presented to CGC in September 2016.

Ref	Issue	Action Proposed	To be completed by	Current position
4	The Committee are aware that a review of the Council's constitution is underway. They would like early sight of any proposed changes so that they are able to adequately deliberate and consider the changes before making any recommendation to Council.	The Corporate Director (Services) will bring forward details of the changes proposed as soon as they are known and have been considered by Corporate Management Team.	To be determined.	Considered by the former CGP in March 2016.

End