

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, 10 OCTOBER 2018** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 5 - 10)

To approve as a correct record the Minutes of the meeting of the Committee held on 26th July 2018.

**M Stimpson
388169**

2. MEMBERS' INTERESTS

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

3. ANNUAL COMPLAINTS REPORT 2018 (Pages 11 - 22)

To provides Members with information on complaints referred to the Local Government Ombudsman and those received by the Council during April 2017 – March 2018.

**L Sboui
388032
A Dobbyne
388100**

4. CODE OF CONDUCT COMPLAINTS - UPDATE (Pages 23 - 26)

To provide a summary and update of completed or ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year.

**L Jablonska
388004**

5. GOVERNANCE BOARDS - EFFECTIVENESS REVIEW (Pages 27 - 38)

To provide an update in respect of the operation of the Councils Governance Boards.

**C Mason
388157**

6. INTERNAL AUDIT PLAN QUARTER 3 - 2018/19 (Pages 39 - 44)

To consider and approve the Internal Audit Audit Plan 2018/2019 for quarter three.

**D Harwood
388115**

7. ANNUAL AUDIT LETTER 2017/18 (Pages 45 - 76)

To receive the Annual Audit Letter by the External Auditor detailing their findings and recommendations along with an indication of the audit fee following the conclusion of the audit.

**P Loveday
388605**

8. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT (Pages 77 - 78)

To receive the Corporate Governance Committee Progress Report.

**M Stimpson
388169**

Dated this 2 day of October 2018



Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

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

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

Non-Statutory Disclosable Interests

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

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

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

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

Please contact Melanie Stimpson, Democratic Services, Tel: 01480 388169 / email Melanie.Stimpson@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

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

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

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

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

Emergency Procedure

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

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HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon PE29 3TN on Thursday, 26 July 2018.

PRESENT: Councillor L W McGuire – Chairman.

Councillors E R Butler, D A Giles,
H V Masson, D J Mead, D R Underwood,
D J Wells and J E White.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors Dr P L R Gaskin and J P Morris.

18. MINUTES

The Minutes of the meeting of the Committee held on 13 June 2018 were approved as a correct record and signed by the Chairman.

19. MEMBERS' INTERESTS

There were no declarations of disclosable pecuniary or other interests received at the meeting.

At 7.07pm Cllr D Giles entered the meeting.

20. ASSISTANT CABINET MEMBERS - AMENDMENT TO ARTICLE 7 OF THE CONSTITUTION

Following the approval by the Cabinet at their meeting on 21 June 2018 regarding the creation of Assistant Cabinet Members to be appointed as non-executive members (Minute No. 16 of the Cabinet meeting refers), the Corporate Governance Committee received a report by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book) to amend the Council's Constitution to reflect the new role and responsibilities.

In response to a question it was explained that although the Role Description appended to the submitted report did not include a maximum number of Assistant Cabinet Members that could be appointed, it was the understanding that initially not all Cabinet Members would be allocated an Assistant.

The Committee expressed concern that should an Assistant Cabinet Member be assigned to each Cabinet Member, this would reduce the Members available to be appointed to the Overview and Scrutiny Committee given that members of the Cabinet and Assistant Cabinet Members were precluded from sitting on the Overview and Scrutiny Committees, and that in accordance with the Constitution every Member must be appointed to serve on a minimum of one Committee

or the Cabinet. Whereupon the Committee,

RESOLVED

- i. to endorse a variation to Article 7 of the Council's Constitution as outlined in paragraph of the submitted report; and

RESOLVED TO RECOMMEND TO COUNCIL

- ii. **that the necessary variation be made to the Council's Constitution.**

21. CHANGE TO THE CONSTITUTION - HDC VENTURES LIMITED - SHAREHOLDER REPRESENTATIVE AND REFERENCE GROUP

The Council had established a Local Authority Trading Company, HDC Ventures, with its purpose to enable the Council to participate in commercial trading activities.

The day-to-day operation of the company was the responsibility of the Directors and the Council was the sole Shareholder. It was therefore necessary to establish a mechanism for decisions to be taken on behalf of the Council as the Shareholder, to allow decisions to be made in a timely and expedient manner, reflecting the needs of the trading company to be responsive to its commercial environment.

In response to a question it was explained that at the Council meeting (Minute No. 27 refers) on 25 July 2018 a Shareholder Representative had been appointed to act on behalf of the Council as Shareholder of the Council's Local Authority Trading Company and that a Shareholder Reference Group had been established that comprised four Councillors on a politically proportionate basis. The respective Group Leaders would be responsible for nominating Members to the Group.

It was confirmed that the Terms of Reference attached to the submitted report were to be inserted into Part 3 of the Constitution 'Responsibility for Functions of the Constitution'.

At 7.14pm Cllr E Butler entered the meeting.

The Committee agreed that the Terms of Reference required clarification as it was not explicit as to who the Shareholder Representative and the Shareholder Reference Group reported to and were accountable to.

Regarding the Secretary to the Shareholder Reference Group it was suggested that including a named individual was not appropriate for the purposes of future proofing. It was explained that the Secretary to HDC Ventures Ltd was an official appointment registered with Companies House as were the Director positions.

To avoid having a named individual listed within the Terms of Reference, the Committee agreed that bulletpoint 5 be revised to:

'The Secretary appointed to HDC Ventures Ltd will also act as Secretary to the Shareholder Reference Group'.

There was a concern that the Terms of Reference did not include any substitutes in the event that the named individual was incapacitated. However, it was noted that the Council's Constitution did not allow for Substitutes and it was not considered that Substitutes were necessary regarding HDC Ventures Ltd.

The Committee agreed that it was not necessary to report back on the Terms of Reference, once the amendments had been considered by the Cabinet before being presented to the Council meeting on 17 October 2018. Whereupon it was

RESOLVED TO RECOMMEND TO THE CABINET

That the following amendments be made to the Terms of Reference before being presented to the Council meeting on 17 October:

- **Request that accountability is made explicit within the Terms of Reference as to who the Shareholder Representative and the Shareholder Reference Group report to and are accountable to.**
- **Request that bulletpoint 5 'Anthony Roberts will act as Secretary to the Shareholder Reference Group' be revised to:**

'The Secretary appointed to HDC Ventures Ltd will also act as Secretary to the Shareholder Reference Group'.

22. APPROVAL FOR PUBLICATION OF THE 2017/18 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT

Consideration was given to a report by the Head of Resources (a copy of which is appended in the Minute Book) to complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Financial Report (AFR) for 2017/18.

The Committee were referred to the report circulated subsequent to the agenda publication. It was explained that due to new statutory regulations that Local Authority accounts had to be approved by 31 July rather than the end of September, the Council's Auditors (EY) had to schedule all clients into a two month period. EY had commenced work with the Council at the beginning of July and had to complete the necessary work in 3½ weeks what previously would have taken 5+ weeks, which had resulted in a delay to the Committee receiving the report.

It was further explained that the audit was not complete as the auditors had some final queries to resolve to enable them to approve the accounts. The three issues raised as 'Control Observations' by the auditors within the Audit Results Report in respect of the AFR related to Accounting records; Timeliness of deliverables; and Reliance on key personnel.

The Committee welcomed Hayley Clark from EY to present the audit results report which summarised the preliminary audit conclusions. In identifying the salient points of the report to the Committee, it was explained that subject to satisfactory completion of the key outstanding items listed within the executive summary of Annexe A, it was expected that an unqualified opinion on the Council's financial statements would be issued by EY. Most of the items listed were expected to be imminently completed, but there was a risk to achieve the deadline of 31 July 2018.

One area highlighted as a significant risk within the audit report related to the valuation of investment property. In response to a question it was explained that the matter related to one of the Council's investment properties, the Oak Tree Centre, which had been identified as requiring extensive repair and renovation, estimated at £2 million. EY were working with the Council to gather sufficient evidence to support the calculations for the cost of the capital works and the implications, if any, on the valuation of the property.

For context the Head of Resources informed the Committee that the NHS was the tenant in the Oak Tree Centre. It was an asset used by the community and the NHS wanted to further develop the Centre. However, part of the building required remedial work before this could happen which was a potential risk to the valuation of the property. It was confirmed that the risk was not related to any other investment property.

Subsequently the Internal Audit and Risk Manager referred the Committee to Annex B, the Annual Governance Statement and the Head of Resources referred the Committee to Annex C, the Letter of Representation.

It was explained that Annex D, the draft AFR was required by law to be published on the Council's website, which had been accessible since May 2018. In particular the Committee were referred to the movement in Reserves Statement on page 27 of the report and the Balance Sheet on page 29 of the Report.

In response to questions it was explained that the Heritage Asset listed on the Balance Sheet referred to the Norman Cross Memorial and it was confirmed that the Net Pensions Liability related to the actual pension fund, which had changed from a final salary pension scheme to one related to average earnings throughout an individual's lifetime. Whereupon the Committee,

RESOLVED

- i. to receive the Auditors Results Report attached as Annex A of the submitted report;
- ii. to approve the Annual Governance Statement attached as Annex B of the submitted report and authorise the Executive Leader and Managing Director to sign the Statement on behalf of the Council;

- iii. to approve the Letter of Representation attached as Annex C of the submitted report and authorise the Head of Resources (as Section 151 Officer) to sign it on behalf of the Council; and
- iv. to give delegated powers to the Head of Resources (as Section 151 Officer) in consultation with the Chairman of the Committee to authorise and sign the Annual Financial Report attached as Annex D of the submitted report on behalf of the Council subject to the Auditors confirming an unqualified opinion on the AFR 2017/18.

23. INTERNAL AUDIT PLAN QUARTER 2 - 2018/19

Having previously agreed to receive on a trial basis the Internal Audit Plan quarterly, rather than on an annual basis, the Committee considered the quarter two Audit Plan 2018/19 (a copy of which is appended is the Minute Book).

It was explained that as two audit reviews by the in-house Internal Audit Team had not progressed as expected, three different audit reviews had been advanced. Regarding the audit of hired staff, which related to agency and not consultants, discussions had been held with a sample of managers who incurred hired staff expenditure in 2017/18 and the measures that had been introduced to manage hired staff costs. As a result the audit had been deferred until Quarter 3.

With regard to the Legal debt recovery procedures for the collection of the Council's general debts that had been referred by the Income Team, the audit was complete and a report was being prepared.

The audit of the management of the mobile phone project across the 3C partner authorities to consider the procurement process, project management and the establishment of procedures to support compliance with future mobile phone policies had commenced and would conclude during Quarter 2.

Having considered the report by the Internal Audit and Risk Manager the Committee,

RESOLVED

to approve the Internal Audit Plan 2018/19 for quarter two.

24. NON-IMPLEMENTATION OF INTERNAL AUDIT ACTIONS

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) in accordance with the Framework agreed by the Committee in May 2017, the Committee were presented with the outstanding internal audit actions as at 30 June 2018 that posed a threat to the internal control and financial framework.

The Committee were informed that there were six actions outstanding (one red and five amber) from the 116 that were due to be implemented.

Having reviewed the five outstanding amber actions, the Head of Resources did not consider that the non-implementation posed a significant risk and all should be implemented by the end of October 2018.

The red action related to Network Security and it was explained that it was a composite audit action that summarised the five network security reviews completed in 2017/18. The individual actions contained in each of the individual audit reports had either been completed or extended. Whilst a red action would not normally be granted an extension of time it was considered appropriate in this instance so that the composite action aligned to the individual actions. It was anticipated that the action would be completed by 30 September 2018.

Having requested that the Committee receive an email update specifically on the Network Security audit action, rather than it being included in the standard monthly email that detailed the implementation of internal audit actions, the Committee,

RESOLVED

to note the report and the action taken by the Head of Resources in response to the outstanding internal audit actions as at 30 June 2018 that posed a threat to the internal control and financial framework.

25. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

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

The Internal Audit and Risk Manager noted that he had only received three responses to the training survey and encouraged Members to complete and return the form to him.

All Members received a separate survey on their skills set and it was requested that in the future the survey circulated by the Internal Audit and Risk Manager be incorporated into this survey.

RESOLVED

That the contents and proposed amendments as detailed in the report be noted.

Chairman

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Annual Complaints Report 2018

Meeting/Date: Overview and Scrutiny Panel (Customers and Partnerships)
– 4th October 2018
Corporate Governance Committee – 10th October 2018

Executive Portfolio: Councillor D M Tysoe, Executive Councillor for Digital and Customer

Report by: Adrian Dobbyne, Corporate Team Manager

Wards affected: All

Executive Summary:

The report provides Members with information on complaints referred to the Local Government Ombudsman (LGO) 2017/18 along with data relating to stage 1 and stage 2 complaints received by the council between April 2017 – March 2018.

Recommendation(s):

Members are invited to comment on the LGO local authority report for Huntingdonshire District Council and the data relating to formal stage 1 and stage 2 complaints received.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 This report provides Members with information on complaints referred to the Local Government Ombudsman and those received by the council April 2017 – March 2018.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 One of the purposes of the annual summary of statistics on complaints made to the Local Government Ombudsman (LGO) is to help ensure that learning from complaints helps inform service provision. The LGO statistics show complaints and enquiries received by service area and whether a decision was upheld, not upheld, advice given, closed after initial enquiry, incomplete/invalid, or referred back for local resolution.
- 2.2 A further purpose of this report is to provide Members with data relating to stage 1 and stage 2 complaints by Service area.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 There were slightly more complaints/enquires received by the LGO during 2017/18 - 20 complaints in total, including those which did not progress to the LGO assessment stage or beyond. There were three detailed investigations carried out by the LGO in 2017/18. In summary:

Two were **upheld**:

- Planning Enforcement matter - the LGO upheld a complaint about the council's planning enforcement investigation. Although the LGO have not found fault with the council's decisions about whether structures were permitted development, there was fault in the council's communications with the complainant (delayed response). The LGO have agreed a remedy which was to recommend that the council make a formal decision about whether it was expedient to enforce the breach of planning permission it had identified. The Planning Enforcement Team have also made a lot of effort to make timely decisions and communicate them effectively.
- Planning Decision - there was some fault by the council in the way in which it responded to the initial complaint. The council has apologised for this. The complainant did not suffer injustice through the fault in relation to the substantive planning issues raised.

One was **not upheld**

- Planning Enforcement matter - the council properly investigated complaints about breaches of planning control. It exercised its discretion to seek a negotiated solution through discussion and a retrospective application to regularise breaches. That was an approach it was entitled to take. The process took some time but there was no undue delay in the council's actions.
- 3.2 The number of stage 1 complaints has risen significantly, largely as a result of the refuse/recycling round reconfiguration which took place early 2017. The majority of complaints related to missed bin collections, in Quarter 1 (April – June 2017) there were a total of 280 complaints of which 270 were Operations. The high volume of missed bin complaints meant that many of these were not resolved within 20 working days.

3.3 The number of stage 2 complaints has risen proportionately to the number of stage 1 complaints. Figures indicate that complaints are largely being resolved at stage 1, which is positive indication that formal complaints are being dealt with effectively in the first instance.

3.4 Leisure and Health Active Lifestyles record complaints through their own systems, however it was agreed that a clear reporting and monitoring process for Leisure and Health formal complaints should be put in place as a priority and to ensure the process aligns with the corporate approach. Some progress was made during 2017/18, for example One Leisure are now providing the Corporate Office with their complaints spreadsheets, thus enabling the team to record and report on the data. However this could be further improved by investigating whether data could be imported directly into the Corporate Complaints SharePoint site.

3.5 Further progress with the implementation of the Complaints Lean Review includes:

Obtaining clarity and agreement on definition of a complaint being used across the council and streamlining how Services record and monitor complaints:

- Individual workshops with Operations, Development, One Leisure – to explore what their issues and challenges they experience with the current complaints process.
- Following each of these workshops a challenge brief was created (record of outcomes and next steps). The challenge brief was then presented to each Head of Service.

New recording system or upgrade to current system, decide on developing a new system, procure a new system, adapt the current system or adapt another existing system

- Investigating adaption of current Complaints SharePoint site – 3C ICT suggested it may not be advisable to commit extensive resources to amending existing Complaints SharePoint site as it was unclear whether SharePoint would align with new CRM system.
- Procuring a new system – team visit to Cambridge City who use Complaints Tracker software. Although the system seemed fit for purpose it is likely to incur a considerable cost.
- Adapt another existing system - Vuelio (Freedom of Information System) was explored but it would still require duplicate data entry from complaints received via our on line portal.

3.6 Although 3C ICT advised not to update the current Complaints SharePoint site, the lack of a timescale when new CRM/IEG4 would go live combined with an urgent need for reliable recording of complaints data a decision was made to proceed with the redesign of current Complaints SharePoint site. This did not incur any cost apart from minimal staff time to develop, test and implement. Feedback from staff included that the site is much easier to read and understand and far less cluttered.

3.7 The project structure to deliver the Customer Portal is being sorted and the scope of the work is also coming together. The software is installed and some of the technical 'behind the scenes' work to set things up is happening now. Delivering customer complaints through the portal is very much in scope, but the order of which functions and being delivered through this is still being determined. It will be an iterative release, which means that we will be able to launch and improve the service too and then work to develop the further reporting systems and processes in place.

- 3.8 It has not been possible to visit all Services to explore issues and challenges however the three Services chosen were those with highest number of complaints recorded and it was decided that any learning from these workshops could be shared with the remaining Services.
- 3.9 The complaints policy and internal staff guidance on management of complaints has not been reviewed, this has been due to a lack of resource to undertake this work.
- 3.10 As part of the Action Plans arising out of the Challenge Briefs, Services were asked to give consideration to whether it would be more efficient and effective if the Heads of Service or members of Management Team undertook more stage 2 complaints. During 2018 there has been a slight increase in stage 2 complaints being managed by these Managers.
- 3.11 In 2017/18, we recorded a number of Unreasonable Complainants and reviewed three cases. It became increasingly clear that the application of our policies was not being followed as strictly as it should and was subsequently placing some staff in difficult positions. In a couple of cases, we have reiterated our position to the management of such cases, such as having a single point of contact, so that far greater proportionality is achieved in the amount of time spent on these cases. This has led to us withdrawing some of our services to these three complainants, save for statutory obligations.
- 3.12 There have been a few incidents of complainants being rude, using inappropriate language or tone to our employees and this has highlighted a need to have a corporate approach to be outlined and communicated to staff so that we can consistently support our staff in such situations and take a zero tolerance on such matters.

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

- 4.1 With Complaints, there is always a risk that we do not record all the complaints we receive and so do not have the full picture or identify trends. Complaints continue to come in by a variety of means with a number of systems and people to comprehensively and accurately record them all.

We have been unable to make all of the changes required i.e. we still don't have a system in place that gives us the best opportunity to have a comprehensive recording and monitoring system and so are unable to state confidently that all Services are consistently applying the corporate definition of a complaint.

5. LINK TO THE CORPORATE PLAN

- 5.1 Complaints handling links to the following Strategic Priority within the Corporate Plan - Ensuring we are a customer focused and service led council.

6 REASONS FOR THE RECOMMENDED DECISIONS

- 6.1 Members are invited to note the LGO local authority report for Huntingdonshire District Council and note the data relating to stage 1 and stage 2 complaints received by the council.

7. LIST OF APPENDICES INCLUDED

Appendix 1	LGO statistics for HDC
Appendix 2	HDC internal complaints
Appendix 3	LGO statistics – neighbouring authority comparison
Appendix 4	Annual Review Letter 2018 from the LGO

CONTACT OFFICERS

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Policy, Performance & Transformation Manager (Project Support)
01480 388032

Adrian Dobbyne
Corporate Team Manager
01480 388100

Appendix 1 LGO Local Authority Report – Huntingdonshire District Council

Complaints and Enquiries Received

HDC	Benefits and Tax	Corporate and Other Services	Environment Services	Planning and Development	Housing	Highways and Transport	Total
2017/18	2	5	3	7	1	1	19
2016/17	2	2	2	8	0	2	16
2015/16	7	2	2	11	1	0	23
2014/15	3	3	3	7	0	0	16

Decisions Made

HDC	Upheld	Not upheld	Advice given	Closed after initial enquiry	Incomplete/invalid	Referred back for local resolution	Total
2017/18	2	1	1	6	0	10	20
2016/17	1	1	0	5	0	9	16
2015/16	1	1	0	11	0	8	21
2014/15	0	3	1	7	0	5	16

A number of cases will have been received and decided in different business years, this means the number of complaints and enquiries received will not always match the number of decisions made.

Appendix 2 HDC Recorded Complaints

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Number of complaints	40	43	22 Stage 1	15 Stage 1 14 Stage 2	237 Stage 1 15 Stage 2	284 Stage 1 12 Stage 2	565 Stage 1 23 Stage 2

Service	Stage 1		Stage 2		Total		LGO investigations	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Community	13	2	1	1	14	3		
Corporate Team	3	4	2	-	5	4		
Customer Services	24	11	2	4	26	15		
Development	18	24	3	5	21	29	2	3
Operations (1)	149	480	3	12	152	492		
Resources	1	-	-	1	1	1		
Leisure and Health (2)	76	42	4		76	42		
Shared Services	-	2	-	-	-	2		
Community/Development/Legal	-	-	1	-	1	-		
Total	284	565	12	23	296	588	2	3

Notes (1) Operations do not include most complaints relating to Bin Collections made in Quarter 4 2016/17, following the introduction of new waste collection rounds. (2) 2015/16 and 2016/17 include those recorded by One Leisure which were not shown in previous years.

Appendix 3 LGO Neighbouring Authorities Statistics

Cambridgeshire Councils	Complaints and enquiries decided (by outcome)		Complaints and enquiries received	
	Not upheld	Upheld	<u>2017/18</u>	<u>(2016/17)</u>
<u>2017/18</u>				
HDC	1	2	19	(16)
South Cambridgeshire	1	6	23	(22)
Fenland	0	3	13	(17)
East Cambridgeshire	1	2	14	(6)
Cambridge City	1	2	19	(18)
Cambridgeshire County Council	3	5	39	(51)

18 July 2018

By email

Joanne Lancaster
Managing Director
Huntingdonshire District Council

Dear Joanne Lancaster,

Annual Review letter 2018

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) about your authority for the year ended 31 March 2018. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

Complaint statistics

In providing these statistics, I would stress that the volume of complaints does not, in itself, indicate the quality of the council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. So, I would encourage you to use these figures as the start of a conversation, rather than an absolute measure of corporate health. One of the most significant statistics attached is the number of upheld complaints. This shows how frequently we find fault with the council when we investigate. Equally importantly, we also give a figure for the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. Both figures provide important insights.

I want to emphasise the statistics in this letter reflect the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

Future development of annual review letters

Last year, we highlighted our plans to move away from a simplistic focus on complaint volumes and instead turn focus onto the lessons that can be learned and the wider improvements we can achieve through our recommendations to improve services for the many. We have produced a new corporate strategy for 2018-21 which commits us to more comprehensively publish information about the outcomes of our investigations and the occasions our recommendations result in improvements to local services.

We will be providing this broader range of data for the first time in next year's letters, as well as creating an interactive map of local authority performance on our website. We believe this will lead to improved transparency of our work, as well as providing increased recognition to the improvements councils have agreed to make following our interventions. We will therefore be seeking views from councils on the future format of our annual letters early next year.

Supporting local scrutiny

One of the purposes of our annual letters to councils is to help ensure learning from complaints informs scrutiny at the local level. Sharing the learning from our investigations and supporting the democratic scrutiny of public services continues to be one of our key priorities. We have created a dedicated section of our website which contains a host of information to help scrutiny committees and councillors to hold their authority to account – complaints data, decision statements, public interest reports, focus reports and scrutiny questions. This can be found at www.lgo.org.uk/scrutiny I would be grateful if you could encourage your elected members and scrutiny committees to make use of these resources.

Learning from complaints to improve services

We share the issues we see in our investigations to help councils learn from the issues others have experienced and avoid making the same mistakes. We do this through the reports and other resources we publish. Over the last year, we have seen examples of councils adopting a positive attitude towards complaints and working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

Complaint handling training

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2017-18 we delivered 58 courses, training more than 800 people. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Local Authority Report: Huntingdonshire District Council
For the Period Ending: 31/03/2018

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	2	4	1	3	1	1	7	0	19

21

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	1	10	6	1	2	67%	20

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.
 The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
1	0

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Code of Conduct Complaints - Update

Meeting/Date: Corporate Governance Committee – 10th October 2018

Executive Portfolio: Councillor G J Bull, Executive Leader

Report by: Elections and Democratic Services Manager & Deputy Monitoring Officer

Ward(s) affected: All

Executive Summary:

This report provides Members with an update on complaints cases regarding alleged breaches of the Code of Conduct. 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.

Recommendation:

The Committee is requested to note the progress of any outstanding complaints and the conclusion of cases resolved since the meeting in June 2018.

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide a summary and update of completed or ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year.

2. BACKGROUND

- 2.1 In accordance with the functions of the Committee, this report seeks to provide a summary of the current position in relation to the Code of Conduct complaints since the last meeting.
- 2.2 At the meeting of the Committee on 13th September 2017, Members requested that this report be submitted on a quarterly basis and to include categories of the Code of Conduct cases to enable feedback to be given to Town and Parish Councils should similar themes emerge on the nature of the complaints to enable further training to be arranged.

3. ANALYSIS

- 3.1 Details of allegations/complaints in relation to the Code of Conduct have been outlined in the table below. Specific detailed information regarding the complaint has not been provided as this may be prejudicial to the conduct of the ongoing complaints process and to protect the identity of councillors who may not have breached the Code of Conduct.

Case Number	District/Town/Parish Council	Allegation/complaint	Outcome
17/13	St Ives Town Council (SITC)	Complaint by a Town Councillor against another Town Councillor alleging that a councillor has breached 3.2 and 3.4 of the Code	Matter investigated and concluded by SITC as a breach. Referred by SITC as complainant not accepting the local resolution and appealing against the ruling. Complaint investigated by Independent Investigating Officer (IO) and complaint concluded that there has not been a breach of 3.2 and 3.4 of the Code.
17/14	St Neots Town Council	Complaint against a Town Councillor alleging that he breached 3.7.1 and 3.8 of the Code	Decision taken not to proceed with a formal investigation as it would not be in the public interest, whilst drawing parallels to a complaint considered previously, there would be limited sanctions available if the councillor was

			found to be in breach of the Code.
18/15	Yaxley Parish Council	Complaint by Clerk against Parish Councillor alleging he breached 3.4 of the Code. Further complaint against another Parish Councillor alleging a breach of 3.8 of the Code	Complaints referred to Independent Investigating Officer (IO) and concluded that there had not been a breach in respect of one councillor but there had been a breach in respect of the other councillor. The latter councillor resigned before the final report had been concluded and therefore there is no mandate to take this matter any further.
18/16	St Ives Town Council	Complaint against a Town Councillor alleging he breached 3.4 of the Code	Concluded that the individual was not acting in his capacity as a Town Councillor at the time.

4. LEGAL IMPLICATIONS

4.1 There are no significant implications to report.

5. REASONS FOR THE RECOMMENDED DECISIONS

5.1 This is an opportunity for Members of the Committee to be appraised of details of completed complaints and any outstanding complaints alleged against the Code of Conduct. This is in accordance with the functions of the Committee and its duty to discharge functions in relation to the promotion and maintenance of high standards of conduct within the Council and amongst Town and Parish Councils within the District.

BACKGROUND PAPERS

None

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Governance Boards – Effectiveness Review
Meeting/Date: Corporate Governance Committee – 10 October 2018
Executive Portfolio: Executive Member for Strategic Resources
Report by: Head of Resources
Ward(s) affected: All

Executive Summary:

A series of Governance Boards (GB) were established with the purpose to review internal governance across all Council services.

Following a review of the GB's in early 2017, four GB's were established with the aim of ensuring adherence to governance processes and practices in respect of:

- Information Management.
- Programmes & Projects.
- Finance & Procurement.
- Safeguarding.

Following an assessment by the lead of each GB, and an independent review by the Head of Resources, it is considered that in the main the GB's are achieving their agreed Terms of Reference. However, it is considered that the Senior Leadership Team should consider whether a further review of the GB's should be considered to ensure that the strategic risks noted in the [2017/18 Annual Governance Statement](#) are being addressed.

Recommendation:

The Corporate Governance Committee considers the report and comments as it considers necessary.

1. PURPOSE OF THE REPORT

- 1.1 To update members in respect of the operation of the Councils Governance Boards (GB).

2. BACKGROUND

- 2.1 The Committee requested to receive an annual review of the Councils Governance Boards (GB). These are officer-led boards that aim to provide strategic guidance and leadership across the Councils delivery framework. There are currently four such boards; namely:

- Information Management.
- Programmes & Projects.
- Finance & Procurement.
- Safeguarding.

3. EFFECTIVENESS

- 3.1 To assess the effectiveness of the GB's each lead officer has completed a self-assessment and these are attached and the summary conclusions are shown in **Table 1** below.

Review of Effectiveness of Governance Boards by the Head of Resources		Table 1
Original Board	Conclusion on Effectiveness	Detailed Self-Assessment
Information Management	3	Appendix 1
Programme and Projects	4	Appendix 2
Finance and Procurement	4	Appendix 3
Safeguarding	4	Appendix 4
NB Ranking: 5, excellent; 4, good; 3, fair; 2, improvement required; 1, poor.		

- 3.2 The Head of Resources has 'independently' reviewed the self-assessments submitted by each GB lead and he has concluded that the:

- effectiveness assessments noted in **Table 1**, fairly represent the current position of the GB's.
- GB's are providing some robust challenge to the Council's processes and practices and therefore adding value to the overall governance process.

- 3.3 Members will recall that during early 2017 (see the [GB Effectiveness Review](#) report that was reported to Corporate Governance Committee in July 2017), there had been a fundamental review of the GB's that were in operation. Although, as noted in para 3.2, the Head of Resources considers that the current four GB's are effectively challenging the Council's process and practices they are not explicitly tackling the strategic risks identified in the [2017/18 Annual Governance Statement](#). The Head of Resources will ensure that this will be considered by the Senior Leadership Team and will report back to the Committee in early 2019.

4. LINK TO THE CORPORATE PLAN

4.1 The GB contribute to the overall governance of the Council and will assist the Council in achieving the:

- Strategic Priority: “Efficient and Effective Council”, and the
- Objective “Become more efficient in the way we deliver services providing value for money services”.

5. LEGAL IMPLICATIONS

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

6. RESOURCE IMPLICATIONS

6.1 The GB framework is a proactive means by which the Council can ensure that key process and practices within the Council are being operated as expected and reflective of the changing environment that the Council operates within. All costs associated with the various Governance Boards will continue to be met from within current resources

7. LIST OF APPENDICES INCLUDED

Appendices 1 to 4 - Self-Assessment for each of the Governance Boards.

BACKGROUND PAPERS

Governance Board SharePoint Site

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Review of Governance Boards

Name of Board: **Information Management**

Date of Review: 3 September 2018

Period of Review: August 2017 to July 2018

Purpose

The Information Governance Board will support improvements to information management, information security, and compliance with information rights legislation. Poor information governance is a critical risk to the organisation, and corporate improvement initiatives require support from across the organisation. The Board will provide the engagement that is required between the Information Governance (IG) function and the business to assure effective management of this risk.

Group members are expected to:

- Attend regular IG Board meetings to represent the views and interests of their service areas.
- Feedback information from the group to all staff in the service areas they represent.
- Carry out reasonable tasks as required to support ongoing Information Governance projects.
- Seek out opportunities to raise the profile of the work carried out by the group.

31

	Term of Reference	How ToR achieved	Self-Assessed Score
1	To oversee and provide leadership for Information Governance, ensuring the Council complies with statutory responsibilities and fulfils business requirements.	<p>Board represents good opportunity to oversee governance actions and push for governance actions to meet both statutory responsibilities such as GDPR and FoI and good practice, such as staff training.</p> <p>The Board regularly reviews performance on Freedom of Information, Subject Access Requests and Data Protection Acts requests and this has contributed to a high performance level. The Board also looks to learn from these cases to assist in delivering requests more efficiently e.g. suggesting data is made available on the Internet.</p> <p>The Board regularly reviews recent regulatory actions with a view to applying issues and learning lessons at HDC so that we can put prevent any occurrences.</p>	4

2	To provide services with engagement in, and oversight of, the planning, development, delivery and evaluation of projects and tasks that support effective Information Governance.	Board provides oversight of governance actions and assists in engagement but has not assisted too much in planning or delivering projects, except on GDPR. In the past year, workload has been dominated by GDPR and the Board played a key role in engaging with Services in ascertaining information, reviewing data, retention schedules and in generally keeping services delivering to the Project Plan. The project was not easy, but come deadline day, we were in a relatively good place.	3
3	To improve data standards and the quality of information systems, so new demands for information in business operations are fulfilled.	Not much work has been done on this but it is in the forward plan for the Board. However, the review of regulatory actions and our management of data requests do assist in keeping tabs through Board members on the quality of our information systems.	2
<p>General comments.</p> <p>Board members represent the views and interests of their service areas but attendance at meetings is not always consistent and comprehensive and so this is sometimes a little diluted. There is evidence that feedback on key issues is given back to Services. Over the last year, this has been dominated by GDPR, but issues on freedom of information, examples of data breaches, have all been shared.</p> <p>Where asked, several members have provided feedback on draft policies and reports such as GDPR Lessons Learnt and Data Protection Policy.</p> <p>The Board has a forward work plan that is regularly reviewed and amended.</p>			
Average Score			3
<p>Key to Self-Assessed Score</p> <p>Ranking: 5, excellent; 4, good; 3, fair; 2, improvement required; 1, poor.</p>			

Review of Governance Boards

Appendix 2

Name of Board: **Programmes and Projects**

Date of Review: 27th September 2018

Period of Review: August 2017 to July 2018

Term of Reference (mostly recently reviewed in January 2018)	How ToR achieved	Self-Assessed Score
1	<p>Help ensure Project Management is embedded in the Council.</p> <p>Led twice yearly Workshops (30th November 2017 and 6th March 2018) held for all Project Managers.</p> <p>Prepared and launched (in March 2018) an HDC Project Management Handbook.</p> <p>Prepared and published Project Document templates, and Good Practice Examples amongst other documents available via a dedicated Programmes and Projects page on the intranet.</p> <p>Challenged project managers who are not regularly updating project status.</p>	4
2	<p>Develop and maintain a process to determine the number and nature of projects being managed within HDC at any one time and those planned at the time but yet to start.</p> <p>All projects, including pending approval projects, are logged on a single spreadsheet and updated monthly.</p>	4
3	<p>Develop a framework for the deployment of staff who have been trained in Project Management, including prioritisation when sufficient resources are not available.</p> <p>List of project managers has been prepared, is updated and is available on the dedicated Programmes and Projects page on the intranet. It includes details of their training and project experience, and allows prospective project sponsors to select a project manager with the necessary training and experience. Although it is/will be kept under review by the Board, it has not been necessary to date to prioritise projects based on insufficient resources.</p>	4
4	<p>Provide a reception-point for the Programme Office to sense check and report progress on projects and provide a means of determining any significant risks associated with current projects; such as: late delivery, non-delivery, significant shortfall in quality of output, significant unplanned</p> <p>All projects are logged on a single spreadsheet which is updated monthly and includes RAG status' with commentary from the Project Manager and, where appropriate, the Programme Office. This is presented to and considered by the Project Management Board at its monthly meetings.</p>	4

	demand for resources, those matters that depend on quality/timing of project-outcome that may be at risk or concern, etc. via a monthly highlight report.		
5	Evaluate risks associated with projects and escalate alerts to CLT, etc. as necessary.	The monthly reports are considered by the Project Management Board at its monthly meetings, and significant issues and risks are escalated to Directors (the Corporate Leadership Team).	4
6	Ensure lessons are learnt from projects and those lessons, and best practice, are communicated.	All project closedown reports must be approved by the Governance Board before a project is closed down. A single spreadsheet listing Lessons learnt/best practice is maintained and updated on the dedicated Programmes and Projects page on the intranet with listings by each project and covering what went well, what problems were encountered, what was lacking and recommendations. This is also used at the twice yearly Workshops held for all Project Managers. Details of the project manager are also included so other project managers can follow up any queries/seek any further explanation.	5
7	Ensure Benefits are realised from projected and those benefits recorded and communicated.	Upon closure of a project, the benefits identified are added to a single spreadsheet for all projects on the dedicated Programmes and Projects page on the intranet with listings by each project and covering benefit, financial/non-financial, how to measure, when to measure, resources required, monitoring report destination/comments, RAG status and when that project's benefits realisation is next scheduled to be specifically considered by the Board, which is done on an annual basis for each closed project. Benefits Realisation is also reported to Senior Leadership Team on a quarterly basis. The self-assessment score is only a 3 because the articulation of proposed benefits in some older projects was not very clear and it is therefore difficult to assess whether they have been realised.	3
Average Score			4
Key to Self-Assessed Score			
Ranking: 5, excellent; 4, good; 3, fair; 2, improvement required; 1, poor.			

Review of Governance Boards

Appendix 3

Name of Board: **Finance and Procurement**

Date of Review: 26th September 2018

Period of Review: August 2017 to July 2018

Term of Reference	How ToR achieved	Self-Assessed Score	
1	Commercial Investment Strategy – governance	<ul style="list-style-type: none"> • To receive regular reports on the Commercial Investment Strategy from the Head of Resources 	2 - improvement required
2	To ensure the robust management of the Council's Capital Programme proces	<ul style="list-style-type: none"> • Collate and review all Capital bids making recommendations as to which schemes should be included in the Capital Programme to CMT • Ensure there is a robust system in place that the board evaluates each capital bid against and that they each are meeting the corporate priorities of the Council • Ensure all Capital expenditure requiring a Business Case has a comprehensive Business Case in place that the board has approved prior to any budget being released. • Monitor the Capital Programme budget on a regular basis, usually monthly, to ensure spend is on track and within budget • Escalate any budgetary concerns relating to Capital projects to Project Management Governance Board (PMGB) • Throughout the financial year, to 	5 – excellent

		consider changes to existing Capital schemes or grants as well as the introduction of new schemes or grants and make recommendations to Cabinet	
3	To oversee revenue budgets, primarily focusing on key areas as identified by the Board and Responsible Financial Officer	<ul style="list-style-type: none"> • To receive regular reports, usually monthly, on revenue budget and spend • To scrutinise budgets in line with agreed priorities • To ensure savings assumptions are realised • Ensure lessons are learnt where FGB identify areas requiring improvement and those lessons, and best practice, are communicated 	4 - good
Average Score			4
Key to Self-Assessed Score			
Ranking: 5, excellent; 4, good; 3, fair; 2, improvement required; 1, poor.			

Review of Governance Boards

Appendix 4

Name of Board: **Safeguarding**

Date of Review: 19th September 2018

Period of Review: August 2017 to July 2018

Term of Reference	How ToR achieved	Self-Assessed Score
1	Awareness of the Safeguarding Policies I. Combined Children and Adult Safeguarding policy developed II. Launched in September 2018 III. ILearn online training package for safeguarding Children and Adults at Risk developed for all staff to complete	4
2	Safeguarding Adults at Risk I. Combined Children and Adult Safeguarding policy developed	5
3	HR Processes I. Policy in place for DBS Checking II. New Designated Safeguarding Officers identified with clear roles and responsibilities III. DSO Training rolled out September to December	5
4	Address service specific issues I. Taxi licencing protocol to licencing committee in October 2018 to include training deliver	3
5	Corporate oversight and governance I. Recording and oversight of safeguarding log of concerns developed and secure site for DSO II. Safeguarding Governance Board to continue when all audit actions complete to have strategic oversight of safeguarding matters III. Operational Safeguarding group to be established	4
Average Score		4
Key to Self-Assessed Score Ranking: 5, excellent; 4, good; 3, fair; 2, improvement required; 1, poor.		

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Internal Audit Plan Quarter 3 - 2018/19
Meeting/Date: Corporate Governance Committee – 10 October 2018
Executive Portfolio: Cllr J Gray (Resources)
Report by: Internal Audit & Risk Manager
Wards affected: All wards

Executive Summary:

Committee agreed on a trial basis that for 2018/19 the internal audit plan should be prepared on a quarterly rather than annual basis, This report asks the Committee to consider and then approve the quarter three internal audit plan.

The plan includes reviews of the following areas:

- LEAN transformation process
- Corporate enforcement
- Setting of statutory charges
- Data Protection (GDPR) implementation
- IT disaster recovery procedures
- Payment card industry data security standards

In addition, time has also been allowed for work in the following areas:

- Identifying key controls within the new financial management system (Technology 1) ahead of undertaking quarterly assurance reviews.
- Reviewing the progress made to delivering the themes identified in the 2017/18 annual governance statement.

The report also provides a summary of the work that has been completed in the year to date.

Recommendation

That the Corporate Governance Committee approve the Internal Audit plan for quarter three, 2018/19.

1. PURPOSE OF THE REPORT

- 1.1 To allow the Committee to consider and approve the Internal Audit (IA) audit plan for quarter three (Q3) 2018/19.

2. BACKGROUND

- 2.1 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 (PSIAS) or guidance’. The Council have adopted the PSIAS through the Committees Terms of Reference.
- 2.2 The Council requires the Internal Audit & Risk Manager (IARM) to “establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals”. The risk based-plan must also:
- 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 Council’s 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.

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

3. ANALYSIS

- 3.1 It is estimated that 65 days (excluding the days to be delivered by BDO, the internal audit computer audit supplier) will be available for delivering the Q3 audit plan. These days have been provisionally allocated across the following areas.

Internal Audit & Assurance Plan 2018-2019 - Q3

<i>Audit area</i>	<i>Commentary</i>
Tech 1 - New FMS	Technology 1 became ‘live’ on 9 July. Work will be undertaken to identify the key controls across all the T1 modules prior to completing quarterly assurance reviews. This is anticipated to be a substantial piece of work and discussions are taking place with 3C partner Councils to see if the workload can be shared.
LEAN review	The LEAN review process has been revised and reviews are now conducted over a two week period. This audit will consider if agreed outcomes are being delivered, embedded and leading to process change.
Corporate enforcement	The Cabinet approved a revised corporate enforcement policy in February 2018. This review will consider how it has been implemented. The review will also examine the efficiency opportunities to be gained by introducing one corporate enforcement team across the Council
Setting statutory charges	The fees and charges for statutory services should be set so that they recover the full cost of the service. This is usually the total cost of all resources used in providing the service including

Audit area	Commentary
	direct and indirect costs. This review will consider the processes in place for identifying the cost of all resources used to deliver the land charges and licencing service and the setting of fees.
GDPR	A little over four months have passed since the GDPR became law. This review will consider the delivery by Services of their action plans for achieving compliance as well as 'business as usual' processes for managing personal data.
Annual Governance Statement Themes	Time has been set aside to undertake reviews around the five theme areas contained in the 2017-18 AGS. The scope of these audits are currently being developed.
Internal audit reviews to be undertaken by BDO.	
Disaster recovery	The purpose of this audit is to provide assurance that the IT disaster recovery arrangements are sufficient to recover critical IT services.
Card Industry Data Security Standard (PCI-DSS) Project Management	As a Merchant responsible for accepting credit and debit card payments, the Council is required to comply with the requirements of PCI-DSS. The purpose of this audit is to provide assurance that the delivery of the PCI-DSS project will result in the Council complying with the requirements of the Standard.

- 3.2 In addition to reviewing the areas listed above, time has also been included in the Q3 work plan to provide for the following:
- providing help and advice to managers;
 - follow-up reviews of agreed audit actions introduced;
 - attendance at quotation openings,
 - managing whistleblowing allegations; and
 - the quality assessment of audit work undertaken and file review.

- 3.3 Progress made as at the 28 September against the audits previously agreed for 2018/19 is set-out below.

Audit area	Current position
Homelessness prevention pilot This review is considering the robustness of the homelessness pilot scheme, introduced to combat homelessness by intervening with those identified as a risk at a much earlier stage and then offering access to support such as advice on employment & training or debt management. Homelessness has been recognised in the 2017/18 AGS as a significant issue.	Fieldwork is underway and the audit is anticipated to be concluded in Q3.
Freedom of Information To review the administration processes associated with receiving and responding to freedom of information requests. The	Fieldwork is underway and the audit is anticipated to be concluded in Q3.

Audit area

audit will also consider the thoroughness of responses provided and the opportunities for making more information available on the Council's website so reducing the need to respond individually to requests.

Small works contracts

To review the contract management processes supporting the small works contracts and its use.

Legal debt recovery procedures

To review the debt collection procedures followed by 3C Legal for the collection of the Council's general debts that have been referred to them by the Resources income team.

Mobile phone contract

To review the management of the mobile phone project across the 3C partner authorities. The review will consider the procurement process, project management and the establishment of procedures to support compliance with mobile phone policies going forward.

Main financial systems : Qtly reviews

Council Tax / NNDR
Housing Benefit creditors.

3C IT procurement

To review the opportunities for improving the efficiency of IT procurement through the adoption of one Code of Procurement across the 3Cs.

Hired staff

The 2018/19 budget shows that the level of spend on hired staff will reduce from £1.5m in 2017/18 to £182k in 2018/19.

Current position

This audit has been completed and closed. The main findings are that:

1. The contract is due to expire in March 2019 and needs to be re-let.
2. Clear responsibilities should be assigned to a member of staff for contract monitoring and to support services who use the contract.

An interim report has been issued and agreed. Further work is planned for Q4.

The main findings are that:

1. There has been little recent work undertaken by 3C Legal to recover debt referred.
2. 3C Legal do not hold a complete record of the debts that have been referred.
3. No performance management information or monitoring of the current position is taking place.

Fieldwork has been completed and the draft report is expected to be issued by the 12th October.

The June 2018 reviews have been completed in respect of the key controls associated with the financial systems listed opposite. Whilst there were some minor issues identified, nothing that warrants reporting to the Committee.

The 3C Management Board requested that this audit not proceed. They wished to consider the wider approach to procurement across the 3Cs and if needed, introduce change before an audit review.

Discussions have been held with a sample of managers who incurred hired staff expenditure in 2017/18 and the measures

Audit area

This review is to examine the management of this budget across all services.

Current position

that they are putting to place to manage hired staff costs identified. Depending on progress with the other audits listed in the report, this audit will be revisited in either Q3 or Q4.

IT policy management

To review the IT policy management software system including procedures for amending, the appropriateness of content and managing the roll-out to staff and their take-up of it.

This review has been postponed due to the software supplier updating the security policies to capture changes in legislation and standards over the past year. The review is due to be undertaken by BDO, our IT audit supplier.

Energy Costs

To review the process for the procurement of energy and water. Annual expenditure in this area is of the region of £850k.

This review did not go-ahead. The Head of Operations has appointed a specialist consultant to review energy use.

Internal Audit & Assurance Plan 2017-2018 – Outstanding reports

- 3.4 All but one audit review completed in 2017-2018 have been closed. The exception is the audit of Commercial Estates. The draft report has been issued and a response received. The Head of Resources does not wish to introduce the agreed audit actions until the Commercial Estates restructure has been completed. In these circumstances the delay is considered reasonable as the restructure is likely to impact upon how the actions will be delivered.

Internal Audit performance measures

- 3.5 The performance measures for IA as contained in the IA Service Plan 2018/19 are set out below.

Customer satisfaction

Target: 85% or more of customers rating service quality as good or better via customer survey forms.

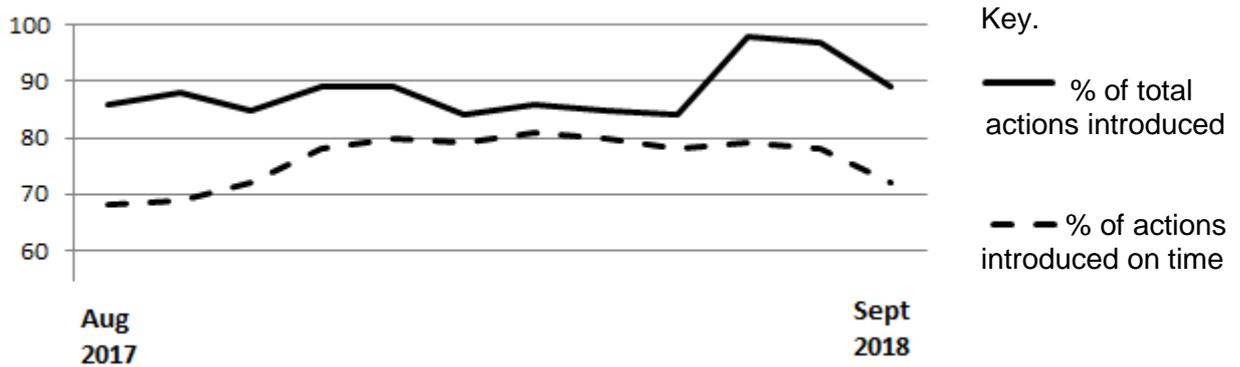
Outcome: 12 months to August 2018 – 100% (from 9 responses).

Implementation of agreed internal audit actions

Target: The Corporate Leadership Team has set a target of 100% of agreed actions to be implemented on time, based on a rolling 12 month timeframe.

Outcome: 12 months to September 2018: 78% on time (121 actions due in the period)
: 89% on time and late

The chart below details performance for the year ending September 2018.



4. LINK TO THE CORPORATE PLAN

- 4.1 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.

5. RESOURCE IMPLICATIONS

- 5.1 There are no resource implications over and above those set out in the 2018/19 budget.

6. REASONS FOR THE RECOMMENDED DECISIONS

- 6.1 The Committee's terms of reference require it to approve the IA plan.

BACKGROUND PAPERS

The Public Sector Internal Audit Standards

CONTACT OFFICER

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Annual Audit Letter 2017/18
Meeting/Date: Corporate Governance Committee – 10 October 2018
Executive Portfolio: Executive Councillor for Strategic Resources
Report by: Finance Manager
Ward(s) affected: All Wards

Executive Summary:

The 2017/18 audit of the Council's Annual Financial Report is now complete. The external auditor, Ernst and Young LLP have issued an Annual Audit Letter and this is attached at Appendix 1. The Annual Audit Letter includes details of the auditor's findings, recommendations and fees in respect of 2017/18.

Recommendation:

The Committee is requested to note the 2017/18 Annual Audit Letter and comment as necessary.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 At the conclusion of each year's audit work the external auditor issues an Annual Audit Letter, which details their findings and recommendations made along with an indication of the audit fee due.

2. WHY IS THIS REPORT NECESSARY

- 2.1 The Committee is designated as "those charged with governance". Members will recall that at the meeting of the 26 July they:

- received a draft Auditors Results Report (ISA 260),
- approved the Annual Governance Statement and authorised the Executive Leader and Managing Director to sign the Statement on behalf of the Council
- Gave delegated powers to the Chairman of this committee and the Head of Resources (as Section 151 Officer) to authorise and sign the Annual Financial Report on behalf of the Council subject to the auditors confirming an unqualified opinion on the AFR 2017/18. The auditors provided an unqualified opinion on the AFR 2017/18 and they were duly signed by the Chairman of the committee and the Head of Resources.

3. ANNUAL AUDIT LETTER 2017/18

- 3.1 On the 31 July the auditors signed the 2017/18 Annual Financial Report and their final ISA 260 report was published meeting the new statutory deadline of the same date. The auditors have now issued the Annual Audit Letter, attached as Appendix 1, which details their findings, recommendations and fees for their work in respect of 2017/18.

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

- **Misstatements due to fraud or error** – a risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly. The Auditors carried out their testing and did not identify any material weaknesses in controls, instances of inappropriate judgements being applied or other transaction which appeared unusual or outside the Council's normal course of business.
- **Revenue and expenditure recognition** – the Auditors are required to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. Their testing did not reveal any material misstatements with respect of revenue and expenditure recognition. Overall, the audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.
- **Property Valuations** – the fair value of Property, Plant and Equipment and Investment Properties represents significant balances in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. The Auditors concluded that the overall valuation estimate was not unreasonable and did not result in a material misstatement to the value of property and that assumptions used by the valuer and adopted by the Council are considered to be generally acceptable.

- **Pension Liability** - this is the most significant estimate in the annual accounts and it is the valuation of the net pension liabilities for HDC employees in the Cambridgeshire County Council pension scheme. The Auditors liaised with the auditors of the Cambridge Pension Fund, BDO to obtain assurances over the information supplied to the actuary in relation to HDC. The assumptions were reviewed by PwC and the EY actuarial team who both concluded that the assumptions and methodology used are considered to be appropriate. However, they concluded that the overall valuation estimates had materially changed from the point at which the actuaries had originally made their estimates. Consequently, the Council obtained a revised estimate and the accounts were amended appropriately.
- **Donated Assets** – included in the draft financial statements was a donated asset of £860k which also impacted grant income and revenue expenditure funded from capital under statute. This related to the transfer of one of Council's assets plus a £300k grant to another local authority in exchange for one of its assets. The treatment in the financial statements treats the transactions separately. However after discussion with the external auditors, Management agreed to amend the entries within the statements to represent the linked nature of the transaction

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

3.4 There were 3 issues raised as “Control Observations” by the auditors within the Audit Letter in respect of the AFR for 2016/17 which related to:

- Accounting records
- Timeliness of deliverables
- Reliance on key personnel

This year's audit letter updates their opinion on the above matters stating:

“We have seen leadership, commitment and engagement from management in addressing the issues arising from the prior year audit. The Council's finance team has invested in enhancing working papers and ensured that accounts and audit process has been delivered alongside the implementation and migration to a new finance system.

In particular we have not had any significant issues with debtors and creditors working papers or the mapping of the general ledger to the financial statements.

We have seen a general improvement in the working papers and provision of evidence, and there has been a high degree of partnership working between both the finance team and us....

We no longer consider these matters to be significant control deficiencies but recommend the Council continues to enhance their closedown process”

3.5 However, within the same commentary their report makes the following observations:

“Whilst we have seen a significant improvement which should be commended, we have still experienced some issues with the following areas:

- Agreed timescales for the provision of evidence and query resolution have not always been met in certain areas of the audit. This has created some pressures on the close down of areas of the audit.
- A bank reconciliation as 31 March for one of the Council’s accounts has not been completed.
- We have seen an increase in the level of issues within fixed assets, particularly in relation to the reconciliation of the information provided by the Council’s valuer to the fixed asset register.”

4. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 4.1 The Control themes and Observations highlighted in 3.5 are currently being addressed.

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 focussed 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 the 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 2018/19 budget. The scale fee variation will be found within the existing budgets.

8. REASONS FOR THE RECOMMENDED DECISIONS

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

9. LIST OF APPENDICES INCLUDED

Appendix 1 - Ernst and Young LLP 2017/18 Annual Audit Letter

BACKGROUND PAPERS

Working papers are held in Resources.

CONTACT OFFICER

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Huntingdonshire District Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

Contents

01

Executive
Summary



03

Financial Statement
Audit



05

Other Reporting
Issues



07

Audit Fees



02

Purpose and
Responsibilities



04

Value for
Money



06

Focused on your
future



50

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. 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 (updated 23 February 2017)' 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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.



01 Executive Summary



Executive Summary

We are required to issue an annual audit letter to Huntingdonshire District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

52

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 25 July 2018 and again on 31 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 July 2018.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

53

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities



Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 26 July 2018 Corporate Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 14 March 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



56

03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2018.

Our detailed findings were reported to the 26 July 2018 Corporate Governance Committee, with an updated report being issued on 31 July 2018.

The key issues identified as part of our audit were as follows:

Significant Risk

Misstatements due to fraud or error

5 The risk is that the financial statements as a whole are not free of material misstatements whether caused by fraud or error. 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.

We have assessed journal amendments, accounting estimates and unusual transactions as the area's most open to manipulation. We have also specifically considered the calculation of statutory reserve adjustments impacting the general fund such as the minimum revenue provision (MRP) and revenue expenditure financed from capital under statute (REFCUS).

Linking to the presumed risk of fraud in revenue and expenditure recognition we have identified the inappropriate capitalisation of expenditure on Property, Plant and Equipment as a risk as well as the valuation of the NNDR appeals provision. This has been identified as a specific risk as set out on the next page, and therefore we have not repeated that information here.

Conclusion

In undertaking our work on management override of controls we have considered the balances included in the Authority's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be the NNDR appeals provision, the valuation of Property and the valuation of pension liabilities. Due to the significance of PPE and pension valuations on the financial statements we have included them as higher inherent risks in our audit strategy and include a separate section to report on these separately below and not repeated that information here. Given that the impact of valuation and measurement of property, plant and equipment and pension liabilities do not impact the general fund we do not consider these to be significant estimates subject to fraudulent misreporting. The valuation of the NNDR appeals provision has been identified within our expenditure recognition risk as set out on the previous page, and therefore we have not repeated that information here.

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. In response to our work over statutory adjustments relating to REFCUS and MRP we have included specific journal tests to identify any unusual activity. We have also reviewed and tested the calculation of MRP, as well as the amounts classified as REFCUS in the financial statements.

We also evaluated the business rationale for any significant unusual transactions - none were identified.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We have not identified any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in expenditure recognition through inappropriate capitalisation of expenditure and valuation of NNDR appeals provision</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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>The Council has historically performed well in relation to their outturn position for the year. In 2017/18 the Council incurred a surplus of £0.1 million chargeable to the General Fund. As the Authority is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Authority's standard income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Authority's capital programme. We will also considered other areas where management can apply judgement and estimation, including the valuation of the NNDR appeals provision.</p>	<p>In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of capital programmes and therefore judgement can be exercised in the allocation of costs between expenditure charged to the Comprehensive Income and Expenditure Statement (CIES) and capital expenditure. This judgement impacts the valuation/measurement of the expenditure and also the existence of the asset on the balance sheet and completeness of expenditure included within the Comprehensive Income and Expenditure Statement (CIES). We have also considered the valuation of the NNDR appeals provision at the year end with a focus on any judgements management have made particularly in relation to expected new provisions arising from the change of rateable values at 1 April 2017.</p> <p>We have performed the following specific procedures over the identified risk areas:</p> <ul style="list-style-type: none"> ▶ Capital additions testing - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature. Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure. ▶ Journal entry testing - As part of our journal testing we included specific tests to search for unusual activity that moves expenditure from the CIES to PPE on the balance sheet. No unusual activity was identified as part of our review. ▶ NNDR appeals provision - New rateable values became effective from 1 April 2017, which means that the Council has made a provision for the expected claims arising from this, in addition to reassessing the provision for the 1 April 2010 rateable value listing. We have considered the assumptions used in the calculation and consider them to be reasonable. We note that the Council uses an external specialist to assist in the calculation of the liability. We have assessed the work of the specialist, including considering their qualifications and experience with no significant issues identified. The new provision on the 1 April 2017 rateable values has been calculated based on the success rate on previous claims. This equates to c4.5%. We note that in order to be materially different the rate will need to move by c4% in either direction to create an error greater than performance materiality. Based on the success rate of claims to date we consider the provision included to be reasonable. <p>We have also considered the following:</p> <ul style="list-style-type: none"> ▶ Reviewed the appropriateness of revenue and expenditure recognition accounting policies and testing that they had been applied correctly during our detailed testing. ▶ Performing cut off testing and unrecorded liabilities testing to consider the completeness of assets and liabilities included in the financial statements. ▶ Evaluating the business rationale for any significant unusual transactions. <p>Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure.</p> <p>Overall, we have not identified any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of investment property item</p> <p>The fair value of Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>There is one IP asset with a net book value of £5 million (£7 million as at 31 March 2017) representing c.14% of the IP portfolio which has been identified as requiring extensive repair and renovation. The quantum of work has been estimated at £2 million and has been taken into account when calculating the £5 million. This adds an additional layer of complexity to the valuation approach and as a result there is a risk that the financial statements could be materially misstated at year-end.</p> <p>The overall valuation of investment property was designated as an area of audit focus last year with a higher inherent risk due to the assumptions/judgement and estimation used in calculating the valuation of the property. This risk continues to remain and we have covered this further in the valuation of capital assets section below.</p>	<p>We have undertaken the following procedures:</p> <ul style="list-style-type: none"> ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. ▶ Engaged our internal valuation specialists to assess the work of the valuer and the methodology applied. ▶ In relation to the costs deducted from the valuation, these are based on an estimate of the cost of the works required following receipts of the structural engineers report. A number of assumptions have been made in the calculation of these. We note that the overarching approach has been to utilise the original build costs from when the property was constructed in 2004-2006 and then allocate a share of the costs based on the percentage of the area impacted within the building. We have reviewed the methodology and undertaken work to verify the original costs, the assumptions made by the Council's expert and the relevant floor plans. We have also verified the scope of works back to the structural engineers report. <p>In undertaking our work we have not identified any significant issues but bring to your attention the following matters:</p> <ol style="list-style-type: none"> 1. No issues were identified in relation to the valuers approach to valuing the property. We note that our specialists estimated the value of the property to be in the region of £4.9 million to £6.1 million, meaning that the value assigned of £5 million was within the range, albeit at the lower end. 2. The £2 million costs deducted from the value of the property are not based on recent construction costs and include a high number of assumptions. The costs do not take into account inflation, however we note that this would not be significant to the total costs. We have performed sensitivity over the costs and note that they would need to be incorrect by up to 47% in either direction to result in a material misstatement. <p>Our testing did not identify any material misstatements from the valuation of this asset.</p> <p>Assumptions used by the valuer and adopted by the Council are considered to be generally acceptable.</p> <p>No other issues have been identified in completing our work.</p>

Financial Statement Audit (cont'd)

Other Key Findings

Valuation of capital assets

Property, Plant and Equipment (PPE) and investment properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular. The Authority will engage external expert valuers who will apply a number of complex assumptions to these assets. Annually, assets are assessed to identify whether there is any indication of impairment.

As the Authority'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. This risk relates to assets that are revalued, being 'Other land and Buildings' and 'Investment Properties'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost. 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.

Conclusion

We:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Reviewed and sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans).
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- ▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct.
- ▶ Considered external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the Cambridge area where relevant. Specifically we have considered if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued.
- ▶ Considered changes to useful economic lives as a result of the most recent valuation and tested that the valuation accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

Whilst we did not identify any instances of inappropriate judgements being applied we did identify a number of discrepancies in the following two areas:

1. One incorrect use of base data by the valuer in their calculations. The impact of this error is an increase to the property value of £133k. Having undertaken some additional work we have considered the impact of the error on the remaining population and have included an extrapolated error of £457k, along with the £133k above.
2. A number of variances between the fixed asset register and valuers report totalling £170k were identified.

The above two items were included as uncorrected errors in the financial statements.

Assumptions used by the valuer and adopted by the Council are considered to be generally acceptable.

No other issues have been identified in completing our work.

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion															
<p>Pension valuations and disclosures</p> <p>The Local Council Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by Cambridgeshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £74 million (£72 million at 31 March 2017).</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council. 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.</p>	<p>We have liaised with the auditors of, Cambridgeshire Pension Fund, BDO, to obtain assurances over the information supplied to the actuary in relation to Huntingdonshire District Council.</p> <p>We have assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. The assumptions used by the actuary have been reviewed by both PwC and our EY actuarial team who have both concluded that the assumptions and methodology used are considered to be appropriate.</p> <p>We have reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 - no issues have been noted.</p> <p>In calculating the scheme assets as at 31 March 2018 the actuary performs a roll forward technique based on asset data submitted to them by the Pension Fund at 31 December 2017.</p> <p>The reporting from the Pension Fund auditors highlighted that the market value of the pension fund assets at 31 March 2018 is £2,958 million. When compared to the actuaries estimate of the fund assets at 31 March 2018 of £2,891 million this creates a judgemental difference of £67 million.</p> <p>Management obtained a revised IAS19 report from the actuary and amended the financial statements, reducing the net liability position by £1,865k.</p> <p>Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.</p> <p>No other issues have been identified in completing our work.</p>															
<p>Donated asset</p> <p>Included in the draft financial statements was a donated asset of £860k, which also impacted grant income and revenue expenditure funded from capital under statute (REFCUS). On review of the transaction we identified that this related to the transfer for one of the Council's assets, plus a £300k grant, to another local authority in exchange for one of their assets. The decision to undertake the transaction was approved by the Overview and Scrutiny Committee in November 2016.</p>	<p>The treatment adopted in the financial statements treats each of the elements of the transaction separately, however, as they are linked to one another the treatment set out in the Code on exchange of assets should have been applied. This has resulted in a net reduction to the surplus/deficit on the provision of services of £560k.</p> <p>Management has agreed with the revised treatment and has made the appropriate adjustments to the financial statements. This has included the following correcting double entry:</p> <table border="0" data-bbox="808 1252 2136 1412"> <tr> <td>Dr CIES - Taxation and non-specific grant income</td> <td style="text-align: right;">£860k</td> <td></td> </tr> <tr> <td>Cr CIES - net cost of services</td> <td></td> <td style="text-align: right;">(£300k)</td> </tr> <tr> <td>Dr Movement in Reserves Statement</td> <td style="text-align: right;">£560k</td> <td></td> </tr> <tr> <td>Cr Capital Adjustment Account</td> <td></td> <td style="text-align: right;">(£560k)</td> </tr> <tr> <td>Cr Revaluation reserve</td> <td></td> <td style="text-align: right;">(£560k)</td> </tr> </table>	Dr CIES - Taxation and non-specific grant income	£860k		Cr CIES - net cost of services		(£300k)	Dr Movement in Reserves Statement	£560k		Cr Capital Adjustment Account		(£560k)	Cr Revaluation reserve		(£560k)
Dr CIES - Taxation and non-specific grant income	£860k															
Cr CIES - net cost of services		(£300k)														
Dr Movement in Reserves Statement	£560k															
Cr Capital Adjustment Account		(£560k)														
Cr Revaluation reserve		(£560k)														

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.854 million (2017: £1.808 million), which is 2% of gross expenditure on net cost of services plus expenditure on parish council precepts, drainage board levies, interest payable and pension interest costs reported in the accounts. We consider this to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Corporate Governance Committee that we would report to the Committee all audit differences in excess of £0.09 million (2017: £0.09 million)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- 20 Remuneration disclosures, related party transactions and councillor allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



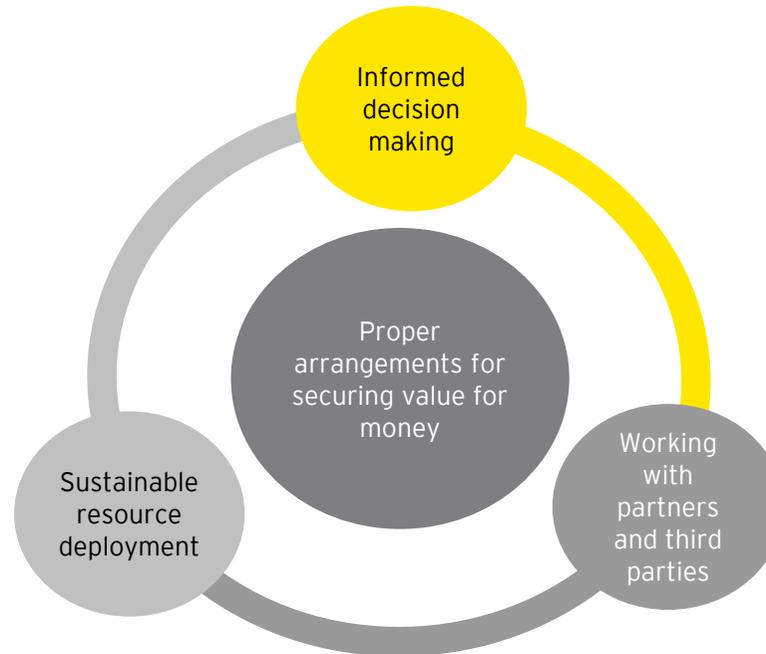
04 Value for Money

£ 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. This is known as our value for money conclusion.

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.



64

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined 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 enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We identified one significant risk in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council’s arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Whilst they are not significant risks we have also set out our high level considerations of the Council’s financial resilience and considered the purchase of an out of area property during the year.

We issued an unqualified value for money conclusion on 31 July 2018.

Value for Money (cont'd)

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>In the prior year we experienced significant difficulties in completing our audit. This included the adequacy of working papers and their reconciliation to the financial statements, the timeliness of deliverables and responses to auditor queries, over reliance on key individuals, and a number of adjustments being amended in the financial statements.</p> <p>All of the above has had an impact on the efficiency of the accounts and audit process for both the Council and us as your auditors.</p> <p>Following the prior year audit there have then been changes in the finance team resulting in a strain on resources and work on areas such as the budget. An interim Chief Accountant has recently been engaged to manage the finance team and lead on the preparation of the 2017/18 financial statements.</p> <p>The faster close timetable in 2017/18, as well as the pressure of implementing a new finance system ready for 2018/19 will put considerable strain on the finance team's ability to deliver conflicting priorities.</p> <p>Whilst our risk assessment for the financial statements audit has not identified a heightened risk in any particular area, we do consider that there is a risk to demonstrating that there have been effective arrangements in place to demonstrate the Council has planned, organised and developed the workforce (namely the finance team) to deliver the financial statements. The additional time and costs incurred by the Council during the accounts and audit process, risks distracting staff from the ongoing delivery of strategic priorities and should be avoidable with effective planning and resource deployment.</p> <p>The risks to not being able to prepare and sign off on the financial results for the year also raises risks around the Council's ability to take informed decisions, where decisions are made on draft information which is then subject to significant amendment.</p>	<p>Take informed decisions / Deploy resources in a sustainable manner</p>	<p>Our approach has focussed on the following:</p> <ul style="list-style-type: none"> ▶ Reviewing the changes made to the financial reporting process to address the issues identified in the prior year; ▶ Reviewing the accounts closedown timetable, including the timescales for the preparation of the financial statements and supporting working papers ready for audit; ▶ Considering the Council's allocation of tasks to individuals in the finance team for both preparation and review to ensure these are reasonable; ▶ Assessing the results of the interim audit for improvements in the process; ▶ Considering the adequacy of the draft financial statements and working papers, as well as the finance teams ability to respond to additional queries in a timely manner; ▶ Consider the overall accounts and audit experience as we complete the audit, seeking validation that changes have been made to address the issues identified in the prior year; ▶ Reviewing internal audit reports to identify any significant issues identified during finance related reviews and consider the impact on the overall control environment; ▶ Reviewing the monitoring of the significant findings arising from our audit in 2016/17 as part of the Corporate Governance Committee; and ▶ Testing for any significant impact resource capacity has had on the Council's in year financial reporting and budget setting. This will include comparing forecast vs actual outturns, assessing appropriate segregation of duties in the preparation and review/sign off of quarterly reporting and budget setting during 2017/18. We will also assess the appropriateness of significant assumptions used in the budget setting process for appropriateness. <p>In undertaking our procedures we have not identified any significant issues. We acknowledge that there has been resource dedicated to rectifying prior year issues and that this has resulted in a number of the prior year issues being resolved. At the same time as preparing for the accounts and audit process the finance team have also managed the migration to a new finance system.</p> <p>We have provided an update on the prior year control finding in section 7.</p>

Value for Money Considerations – Financial resilience

What are our findings?

The Council has historically performed well in relation to their outturn position for the year. In 2017/18 the Council incurred a small surplus of £0.1 million chargeable to the General Fund as set out in the Movement in Reserves Statement. To date the Council has responded well to the financial pressure it faces.

The Council's general fund balance as at 31 March 2018 stands at £2.658 million which is in line with the minimum level set by the Section 151 officer. The Council also has earmarked reserves (£16 million at 31 March 2018) which have been established for a number of purposes, including a Strategic Transformation Fund (£0.07 million), Commercial Investment Reserve (£3.598 million), Special Reserve (£1 million), Budget surplus reserve (£2.212 million) and other reserves (£2.123 million). In addition to the above there are also other earmarked reserves for repairs and renewals, collection fund and S106 monies.

8 The existence of these reserves provides evidence of the Council's prudent approach to financial management. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Council's financial standing. The Council plans to maintain this level of General Fund reserves indefinitely and we note that the projected general fund reserves in the MTFS does not fall below the target level over the next 3 years. The Authority plans to maintain this level of General Fund reserves over the medium term by making contributions to it from the budget surplus reserve.

The 2018/19 budget is balanced, through the use of efficiencies, income plans, but also the use of general fund reserves. The level of savings identified is £0.7 million and the budget also includes £1m in relation to investment income through the Commercial Investment Strategy.

While incrementally savings can become harder to achieve over time, the Council's performance in delivering its plans to date gives confidence that it can continue to do so. However, this will become harder over time, and therefore the council must ensure that it continues to ensure it identifies ways to be self financing over the longer term.

We also reviewed the key assumptions in the budget and MTFS, which adequately took into account the economic environment at that time for business rate projections, and the forecast for reduced central government funding and the potential settlement.

Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivery has not identified any significant matters that we wish to report to you.

Value for Money Considerations - Commercial investment

What are our findings?

The Council has been actively pursuing its commercial investment strategy over the past few years, and 2017/18 has included the purchase of an additional out of area property.

As government funding continues to come under pressure, the reliance on commercial revenue streams becomes heightened. The nature of commercialisation exposes to the Council to additional risks around property values, achievement of investment yields and more volatility in the preparation of budgets.

Where the Council is borrowing to invest in its strategy it is also important the Council considers all costs associated with the related investment, to confirm that the overall net return is consistent with the assumptions being included in the medium term financial strategy.

As part of our audit procedures we have:

- 67
- ▶ Reviewed the decision making process for the acquisition of the out of area property purchased during the financial year, including any associated due diligence, and at a high level the factors taken into account in calculating the investment yield. We noted that the Council prepared a best, worst and expected scenarios for the expected returns and often built in a more pessimistic view when calculating these.
 - ▶ Reviewed the assumptions on commercialisation included in the 2017/18 budget and compare these against the actuals achieved, seeking explanation for any significant variance.
 - ▶ Reviewed the process for ongoing monitoring and reporting of the commercial investment strategy.
 - ▶ Reviewed the assumptions included in the medium term financial strategy and consider them for appropriateness.
 - ▶ Considered any recent case law and how the Council has taken this into account when reviewing their commercial investment strategy.

During our review we identified that as part of the purchase of the property the Council was required to invest in two companies responsible for the management of the site. Whilst the shareholding is not material to the Council, there is no evidence to demonstrate that the Council's investment in these two entities was considered as part of the decision making process. We would expect matters such as these to be fully considered as part of the governance process to mitigate any risks to the Council in the future. We do not consider this to be a significant value for money matter.

Having considered the above, and in the absence of any case law in relation to this in the financial year ended 31st March 2018 we are not minded to challenge the Council's arrangements. We do note that the Council will, as part of its capital strategy and financial plans, continue to consider its options on future commercial investments and in doing so intends to apply the same due diligence it has undertaken to date and seek further independent legal, tax and professional services advice as necessary. This is an area in which we will continue to review the Council's decision making process and will form part of our 2018-2019 external audit plan.



89

05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Corporate Governance Committee on 28 March 2018 and 26 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We have adopted a fully substantive approach and have therefore not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. We have provided an update on the significant deficiency identified in the prior year on the following page.

Description

Preparation of the financial statements and related working papers - We encountered the following difficulties during the prior year audit which we believe had a detrimental effect on our ability to complete this audit efficiently.

1. Accounting records : We audited areas where the accounting records which the Council maintains were not initially sufficient for us to be able to complete our audit in the most efficient manner. This was particularly an issue when auditing creditors and debtors, leases and cash for the Council. In particular, the working papers for debtors and creditors were not suitable for audit as they included a movement of all transactions during the year rather than just the balances that remained outstanding at the balance sheet date. It took various iterations being reviewed by management and us, in addition to several meetings to eventually generate useable working papers. The Council also incurred difficulties in mapping the general ledger data to the financial statements and to the categories used in our data analytics tools, being assets, liabilities, income, expenditure and equity. We held a number of meetings with the finance team and reviewed several of iterations of the reconciliation before receiving a final version that could be used for audit. We should note that this still included a difference of £321k that could not be mapped. We note that the issues with debtors, creditors and data mapping are consistent with those encountered in the prior year.

2. Timeliness of deliverables : There were several occasions where the length of time between requesting a deliverable or working paper, and actually receiving it was longer than agreed. This meant that our staff had often finished their time on site for the audit by the time the information was available. There were some areas of our audit requested in the first two weeks of the audit that were not received until weeks 4 and 5.

3. Reliance on key personnel : During our time on site there were often staff unavailable either through illness or because the work had been completed by an external contractor. This caused delays in answering queries and in some instances demonstrated an over-reliance on individuals.

All of the above has had an impact on the efficiency of the accounts and audit process for both the Council and us as your auditors. We recommend that the Council undertake a thorough review of their processes, procedures and working papers. This is particularly important given the faster close deadline for 2017/18. Due to the above delays we will be seeking to agree a fee for the additional costs incurred.

Update

We have seen leadership, commitment and engagement from management in addressing the issues arising from the prior year audit. The Council's finance team has invested in enhancing working papers and ensured that the accounts and audit process has been delivered alongside the implementation and migration to a new finance system. In particular, we have not had any significant issues with the debtors and creditors working papers or the mapping of the general ledger to the financial statements. We have seen a general improvement in the working papers and provision of evidence, and there has been a high degree of partnership working between both the finance team and us. Whilst, we have seen a significant improvement which should be commended, we have still experienced some issues with the following areas:

- ▶ Agreed timescales for the provision of evidence and query resolution have not always been met in certain areas of the audit. This has created some pressures on the close down of areas of the audit.
- ▶ A bank reconciliation as at 31 March for one of the Council's accounts had not been completed.
- ▶ We have seen an increase in the level of issues within fixed assets, particularly in relation to the reconciliation of the information provided by the Council's valuer to the fixed asset register.

We no longer consider these matters to be significant control deficiencies but recommend the Council continues to enhance their closedown process.



71

06 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items. <p>The Authority is yet to carry out a review of their financial instruments to assess the potential impact.</p>
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p> <p>Given the nature of the Authority's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the single entity financial statements of the Council. However, the Authority is yet to carry out a review of contract income from service recipients to assess the potential impact.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p> <p>The Authority is yet to carry out a review of their leases to assess the potential impact.</p>



07 Audit Fees



Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final fee 2017/18	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£	£
PSAA scale fee - Code work*	53,236	53,236	53,236	53,236
Prior year overrun	N/A	N/A	N/A	22,603
Impact of lower materiality thresholds	10,000 - 12,000	8,000 - 12,000	N/A	N/A
Investment property significant risk	3,000 - 4,500	2,500 - 3,000	N/A	N/A
Value for Money significant risk	2,000 - 3,500	2,000 - 3,500	N/A	N/A
Total audit	68,236 - 73,236	65,736 - 71,736		75,839
75 Other non-audit services not covered above (Housing Benefits)	18,136	18,136	18,136	17,522
Total other non-audit services	18,136	18,136	18,136	17,522
Total fees	86,372 - 91,372	83,872 - 89,872	71,372	93,361

All scale fee variations will be subject to agreement with the PSAA.

*We have experienced some delays in finalising our audit work. We will therefore discuss with management any expected additional fees arising from this and will report these to you once agreed.

We have included a number of fee ranges above for the additional work we are required to complete as part of the current year audit. These relate to:

1. The impact of being required to undertake our audit to a lower materiality level as a result of the findings arising from the prior year audit. The lower threshold against which our audit procedures are to be performed means that additional audit testing will be required. This also decreases our threshold for investigating variances where we performed procedures such as substantive analytical review.
2. The additional work required as a result of the increase risk associated with investment properties, primarily relating to the use of EY specialist to provide assurance over the valuation of one particular asset.
3. The work required to address the significant value for money risk set out in section 4.

We are in the process of finalising the overall fee implications following the conclusion of our audit work. We will agree this with management and provide you with updates accordingly.

All scale fee variations will be subject to agreement with the PSAA.

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CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
12/07/17	<p><u>Annual Review of Thresholds – Disposals and Acquisitions Policy</u></p> <p>Policy endorsed. Further review to take place in 24 months.</p>	07/2019	Review to be undertaken in 2019	Head of Resources	No

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