

Annual  
Governance  
Statement  
2013/2014



# What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it

- operates in a lawful, open, inclusive and honest manner
- makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- has effective arrangements for the management of risk
- secures continuous improvements in the way that it operates.

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

The Council has a local Code of Corporate Governance. It is consistent with the principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE.\* A high level summary of the principles can be found on the following page.

*\* Changes were last made to 'Delivering Good Governance in Local Government: Framework', published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers) in December 2012.*

# How has this Statement been prepared?

The initial review of the effectiveness of the Council's governance framework was conducted by a group of Officers. This group included the Monitoring Officer and the Responsible Financial Officer.

The Corporate Governance Panel met informally to review, discuss and challenge the evidence and assurance provided by those Officers. They also identified the significant governance issues that they considered should be included in this Statement. These issues were formally agreed at the July Corporate Governance Panel meeting.

The Corporate Governance Panel also considered whether any issues identified in the Internal Audit annual report should be included in this Statement. Findings arising from the work undertaken by External Audit in respect of the 2013/14 Annual Financial Report were considered by the Corporate Governance Panel at its meeting on 25 September 2014, following which, this Statement was formally approved.

# The Principles

## A summary

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### Principle 1

The Council clearly sets out its purpose and vision and the outcomes it is seeking to achieve.

#### **This will be achieved by:**

Clearly communicating the Council's purpose and vision and the intended outcome for citizens and service users

Making best use of resources and providing services that are good value for money

Seeking the views of service users on the quality of services that are provided

### Principle 2

Members and Officers have clearly defined functions and roles which allow them to work together to deliver the Council's vision.

#### **This will be achieved by:**

Setting out executive and non-executive functions and the roles and responsibilities of the scrutiny function

Clearly setting out the roles and responsibilities of Members and Officers

Defining what is expected from partners

### Principle 3

Demonstrate the values of good governance and uphold high standards of conduct and behaviour.

#### **This will be achieved by:**

Introducing and maintaining arrangements that clearly set out the standards of conduct and behaviours expected from Members and Officers

Underlying each of these principles is the Council's commitment to equality of opportunity in its approach to policy-making, service delivery and employment.

## The Council aims to achieve good standards of governance by:

1. setting out its purpose and vision
2. making sure everyone understands their role
3. behaving in accordance with its core values
4. being open and accountable and exercising effective control
5. working effectively both as individuals and as a team
6. engaging with its stakeholders

### Principle 4

Informed and transparent decisions are taken which are subject to effective scrutiny. Risks are identified and managed

#### This will be achieved by:

Having rigorous and transparent decision making processes in place

Maintaining an effective scrutiny process

Acting within the law

Providing good-quality information, advice and support to Members and partners

Ensuring that an effective risk management system is in place

### Principle 5

Develop the capacity and capability of Members' and Officers' so that they can act effectively.

#### This will be achieved by:

Introducing and maintaining systems and resources that allow Members and Officers to develop and gain the skills and knowledge they need to perform well in their roles

Evaluating Members' and Officers' performance

### Principle 6

Engage with local people and other stakeholders to ensure robust public accountability.

#### This will be achieved by:

Developing constructive relationships with stakeholders

Taking an active and planned approach to dialogue with the public

Regularly consulting with employees and their representatives

# How do we know our arrangements are working?

## Governance Framework

- Delivery of Corporate Plan aims and objectives

- Services are delivered economically, efficiently & effectively
- Management of risk
  - Effectiveness of internal controls
  - Democratic engagement & public accountability
  - Budget & financial management arrangements
  - Roles & responsibilities of Members & Officers
  - Standards of conduct & behaviour
    - Compliance with laws & regulations, internal policies & procedures
    - Action plans dealing with significant issues are approved, actioned & reported on

- Constitution (incl. statutory officers, scheme of delegation, financial management & procurement rules)
- Corporate Governance Panel
- Internal & external audit
- Independent external sources
- Scrutiny function
- Council, Cabinet & Panels
- Medium Term Financial Strategy
- Complaints system
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Risk management framework
- Performance management system
- Codes of conduct
- Chief Officers' Management Team

Code of  
Corporate  
Governance

Assurance  
Required Upon

Sources of  
Assurance

To monitor the effectiveness of the Council's corporate governance systems, the Corporate Governance Panel review each year the governance framework.

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website alongside a summary of the evidence to support compliance with the Code of Corporate Governance.

This statement therefore describes the key changes to, and developments within the Council's governance framework during 2013/14 and up to the date of approval of the Annual Financial Report. The progress that has been made in dealing with the significant governance issues identified last year is included and the significant governance issues that have been identified from the governance review are highlighted.

This statement allows the Council to meet the requirement of the Accounts & Audit (England) Regulations 2011, to prepare and publish an annual governance statement to accompany the 2013/14 Annual Financial Report.

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- Annual Financial Report
  - External audit reports
  - Internal audit reports
  - Local Government Ombudsman reports
  - Office of the Surveillance Commissioner report
  - Scrutiny reviews
  - Effectiveness reviews of Corporate Governance Panel and Licensing
  - Independent external review of the internal audit service
  - Member/Officer working group review of the Code of Corporate Governance
- Develop the themes and aims of the Corporate Plan through service plans and performance measures
  - Review partnership commitments
  - Publicise the vision statement & strategic themes and outcomes
  - Ensure full compliance with the Code of Procurement.

Assurances  
Received

Opportunities  
to Improve

Annual  
Governance  
Statement

# 2013

## April

Corporate Governance Panel adopt the Public Sector Internal Audit Standards (PSIAS) with effect from 1 April and approve an Internal Audit Charter. The Charter sets out internal audits position within the Council including how it will maintain its independence and objectivity. The functional reporting responsibilities of the Panel are also agreed.

## May

Internal audit service undertake a self-assessment against the PSIAS to identify its level of conformance and any opportunities for improvement. An action plan was agreed by Corporate Governance Panel. None of the areas of non-conformance were considered significant enough to warrant inclusion in the 2012/13 annual governance statement.

## June

Corporate Governance Panel discuss the Internal Audit annual report and the opinion for period ending March 2013: 'limited' assurance over key business processes and financial systems. The key issues that led to the 'limited' opinion being given were referenced in the 2012/13 annual governance statement

- Compliance with the Code of Procurement
- Ensuring projects were managed appropriately and
- Delays in the introduction of agreed audit recommendations



## July

The interim management arrangements (of joint Managing Directors) agreed in August 2011 ended with the appointment of Joanne Lancaster as Managing Director and Head of Paid Service.

## August

The review of the effectiveness of the Corporate Governance Panel concluded they were 'acting effectively'.

To improve the accessibility and clarity of financial information reporting, a Financial Dashboard was created that summarised at a high level, key financial data. This is circulated by email to all Councillors on a monthly/quarterly basis.

## September

External audit issue an unqualified audit opinion on the 2012/13 financial statements and an unqualified value for money opinion. They made a number of recommendations to further improve the accounts closure process and the governance framework. The majority of these were introduced by 30 June 2014. Those not fully introduced relate to improving governance processes (see December 2013).

Corporate Governance Panel approve the 2012/13 annual governance statement on behalf of the Council. Six significant governance issues were identified.

## October

Senior management re-structure commences.

## November

Against the background of needing to have a clearer focus on budget monitoring and financial savings, the Cabinet members requested further financial information. A suite of financial reports were introduced, known as Strategic Financial Reporting (SFR). The SFR contains more detail than the Financial Dashboard and is presented to Cabinet quarterly.

Formal annual report on the work of the Corporate Governance Panel is presented to Council.

The three Overview & Scrutiny Panels began reviewing 'Facing the Future' templates – options put forward by each service area for savings for 2015/16 and beyond – robustly challenging service managers on service levels and resource requirements.

## December

Officer led Governance Board and six governance working groups established to address 'cultural compliance' issues raised by internal and external audit. The working groups cover the following areas:

- Risk
- Project management
- Customers
- Culture and compliance
- Finance
- Procurement

# 2014

## January

Employee pay evaluation moderation process completed and appeals process commenced.

### Key Improvement Area for 2013/14

Reinvigorate engagement with the Huntingdonshire Strategic Partnership (HSP) through the Huntingdonshire Matters process.

The HSP met in January. The Hunts Matters groups meet regularly. Little progress has been made in this area. A review of partnerships, including our commitment to the HSP, is to be undertaken. This remains a key improvement area for 2014/15.

## February

The Corporate Fraud team led the development of the Cambridgeshire Tenancy Fraud Forum, which was formally launched in February. The project won the 2013 National Fraud Authority innovation award.

Removal of permanent independent co-optees from Overview & Scrutiny Panels. Individuals who have specialist knowledge or expertise will be invited to contribute to study areas.

## March

External independent peer review of internal audit undertaken. It concluded that the service was delivering an effective service to the Council.

Retirement of the Asst. Director (Finance & Resources), who was the Council's statutory Responsible Financial Officer (RFO). Clive Mason, the Accountancy Manager, who subsequently became the Head of Resources, appointed RFO.

### Key Improvement Area for 2013/14

Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement.

33 employees directly involved in procuring goods and services received training from the Procurement Manager during 2013/14.

# 2014

## April

Pay evaluation process completed and new pay structure introduced.

Approval of Council Plan and performance management framework.

## May

Internal audit opinion for period ending March 2014: 'limited' assurance over key business processes and 'adequate' assurance over financial systems. The key issues that led to the 'limited' opinion being given are detailed on page 16.

The Council makes amendments to its Constitution. In addition to changes to the Code of Financial Management and Code of Procurement, the terms of reference of a number of Panels and Committees are updated. The Council sets up a working group to review how Council meetings operated.

Review of the effectiveness of the Licensing Committee and Licensing Protection Panel concluded they were 'acting effectively'.

Section 106 Agreement Advisory Group to be the subject of the next review.

Social media policy introduced. The policy explains how officers should communicate with and respond to service users, through the Council's various social media channels.

## June

New senior management structure introduced

New list of politically restricted posts agreed by the Managing Director.

The Council, after considering the report of the Constitution working group, makes a number of procedural changes to improve the management of Council meetings and democratic accountability.

### Key Improvement Area for 2013/14

Introduce a project management tool-kit, that can be applied to projects across all levels of the authority, to improve the management and delivery of projects.

Programme and Project Management Toolkit launched to assist managers successfully deliver a number of projects, including those from within the Facing the Future programme.

## July

Strategic partnership agreement with South Cambridgeshire District Council to consider shared service delivery. Building Control, IT Services and Legal are within the first tranche of services being considered as potential shared services.

Risk management strategy updated. Risk management group duties transferred to the risk governance working group and the internal audit service.

Council agrees to the removal of the Employees' Code of Conduct from the Constitution. The Managing Director is given responsibility for introducing an employee handbook, as a replacement for the Code of Conduct.

## August

Following the management restructure, the Democratic Services Manager is appointed statutory Monitoring Officer until the new Corporate Director (Services), Julie Slatter, commences work on 1 September.

Employee opinion survey undertaken.

'Balancing the Budget' public consultation process for the 2015/16 budget.

The governance working groups were re-assigned to the new Heads of Service.

# The Council: How it works

All Councillors meet together as the Council. Meetings are normally open to the public. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Code of Conduct for Members. The diagram below shows the Council's governance structure.

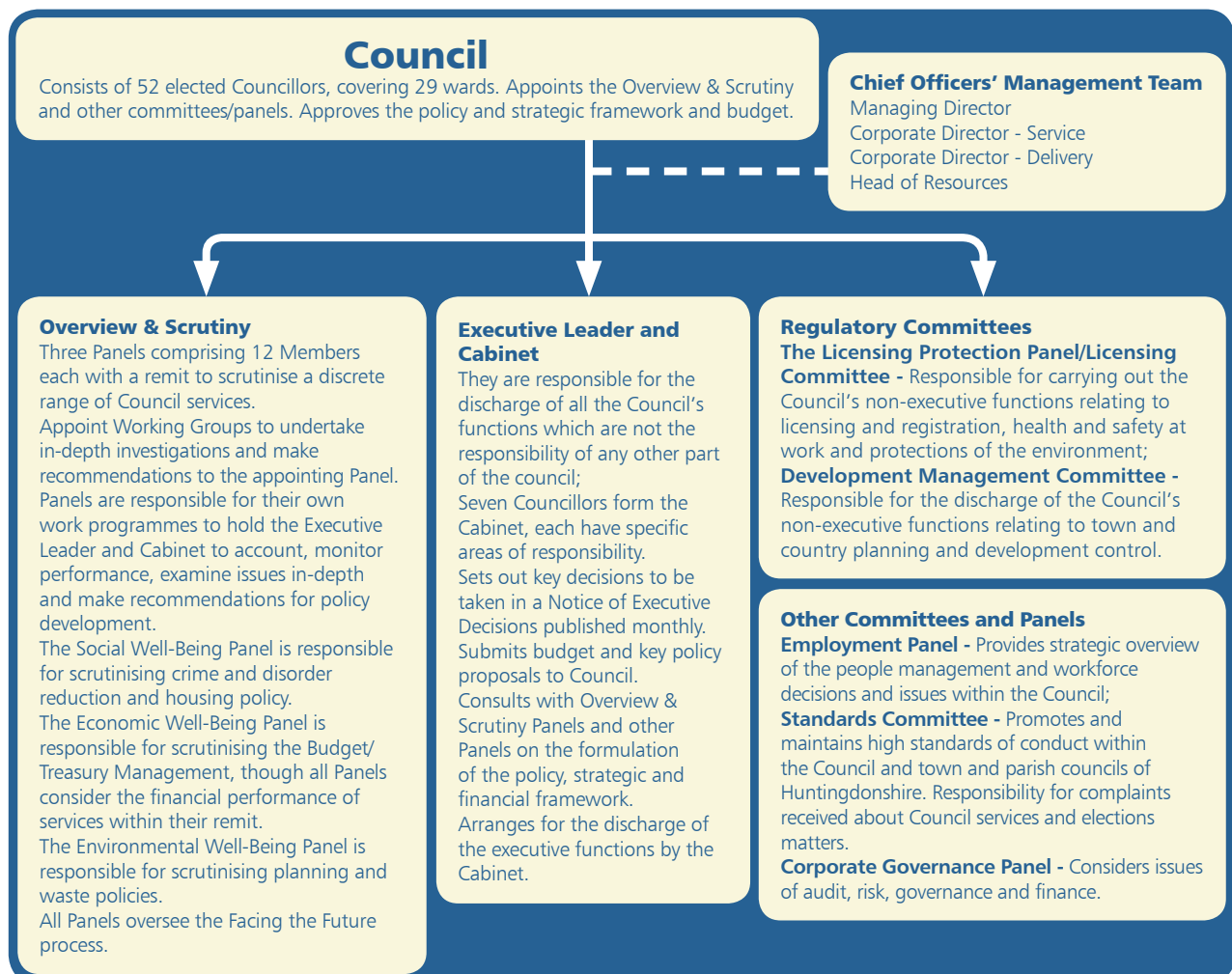
In July 2013, the Council appointed a new Managing Director, Joanne Lancaster. She completed a review of the senior management structure, the result of which reduced the number of senior managers from ten to nine and realigned service responsibilities. Only one of the previous senior management team remained in post, the remainder leaving the Council between March and July 2014. New managers took up post between July and September 2014. There were a number of months when some services were without Heads of Service and the Managing Director took on responsibility for these areas as an interim measure.

## Central to the Corporate Plan is the following vision statement:

We want to continue to improve the quality of life for the people of Huntingdonshire and work towards sustainable economic growth whilst providing value for money services.

## Key Improvement Area for 2014/15

Publicise the vision statement to stakeholders.



The Council is required to appoint a Monitoring Officer who, in addition to leading an annual review of the Constitution to ensure it remains fit for purpose, also advises on compliance with the Constitution and ensures that decision making is lawful and fair. The Head of Legal & Democratic Services was appointed to this statutory post until leaving the authority in July 2014. Interim arrangements have been introduced prior to the Corporate Director (Services) commencing work in September 2014.

As reported in last year’s Statement, the Council was to prepare a Corporate Plan to build upon the Leadership Direction that was agreed in November 2012. Preparing the Corporate Plan and its associated Performance Management Framework took longer than expected. Both documents were approved by the Council in April 2014.

Work has started on preparing individual service plans and targets that will link to the Corporate Plan themes and outcomes. The process of linking employees performance to the delivery of the service targets has not yet been completed. This item has been included as a significant issue for 2014/15.

Whilst reporting of financial information has been undertaken, with the exception of information on employment related matters and the performance of internal audit, no performance management information has been routinely reported to Members during 2013/14. This information has been prepared and reviewed by the Chief Officers’ Management Team quarterly. It is anticipated that performance information will be reported to the Overview & Scrutiny Panels from September 2014.

In considering how the overall performance of the Council could be reported to stakeholders it was agreed that an Annual Report be published for the 2013/14 financial year. This has been written and will be published alongside the Annual Financial Report. It will inform the Council’s annual State of the District debate.

The Performance Management Framework sets out the annual corporate and budget planning cycle that will be followed for 2014/15 and onwards and is shown here.

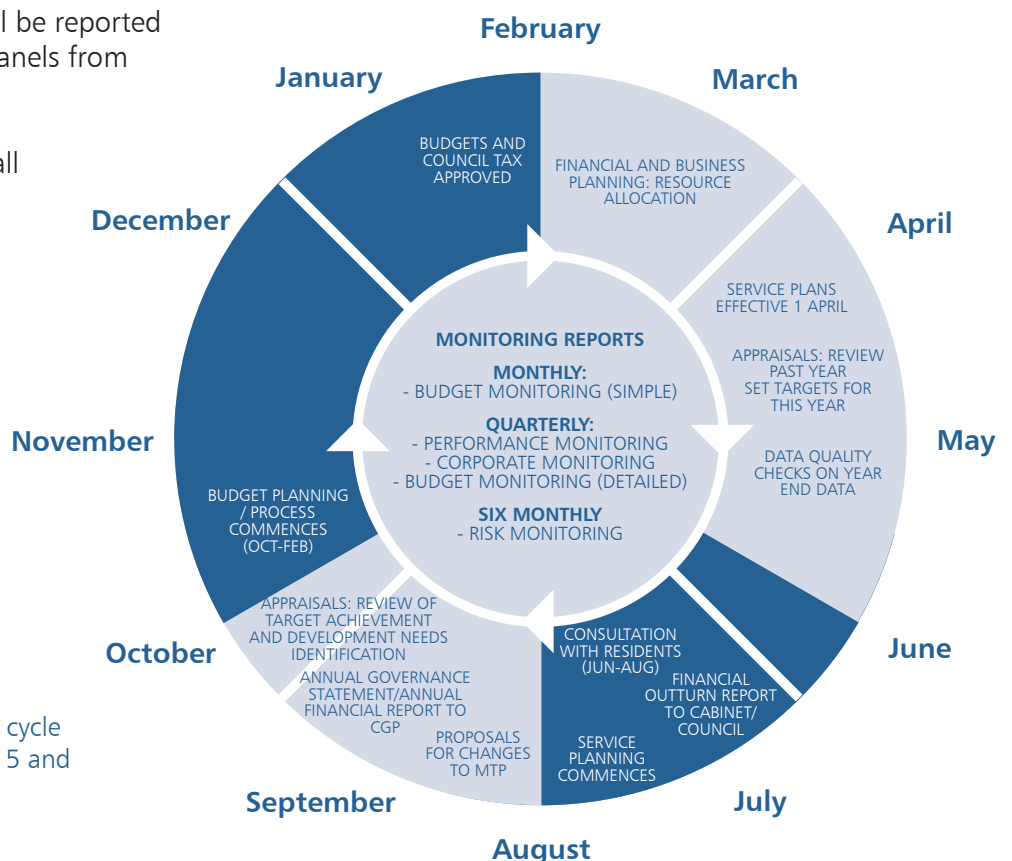
**Key Improvement Area for 2013/14**

Develop the themes and aims contained in the Leadership Direction through Service Plans, performance measures and reporting and links to employees key performance targets.

This remains a key improvement area for 2014/15

**Key Improvement Area for 2013/14**

Introducing an Annual Report from the 2013/14 financial year to be published alongside the Annual Financial Report.



# Corporate Governance Panel seeking assurance

The Corporate Governance Panel, as its name suggests, has responsibility for receiving many reports that deal with issues that are key to good governance. It acts as the Council's audit committee.

The table below provides summary information on the areas it has considered.

When considering governance issues, the Panel raised a number of concerns about shortcomings in control systems and processes. The most significant of these were:

- The lack of any project management guidance.
- Delays in introducing agreed internal audit actions.
- The increasing number of 'limited' assurance opinions within internal audit reports.
- The 'little' assurance opinion that has been given by internal audit in respect of the debtors financial system.

## Corporate Governance Panel: Key Business

May / July 2013	September 2013	November 2013
Note outcome of effectiveness review of Overview & Scrutiny Panels	Approve the 2012/13 annual governance statement (AGS)	Involvement of co-optees on the Overview & Scrutiny Panels
Public engagement: filming/recording at Council meetings	Consider External Auditors 2012/13 'report to those charged with governance' and action plans (ISA 260)	Note the setting up of officer governance working groups
Consider Internal Audit annual report and opinion, June 2013	Approve the 2012/13 statement of accounts	Consider internal audit review of the job evaluation and pay review process
Note internal audit review of appointment of professional advisors	Review the risk register and management of risks	Approve changes to whistleblowing policy & procedure
Approve changes to regulation of investigatory powers polices	Approve changes to the Code of Procurement and the re-writing of the employee code of conduct as an employee handbook	
<b>Review annual reports</b>		
<ul style="list-style-type: none"> <li>• Effectiveness of internal audit service</li> </ul>	<ul style="list-style-type: none"> <li>• Panel's own effectiveness review</li> </ul>	<ul style="list-style-type: none"> <li>• FoI, EIR &amp; DPA requests*</li> <li>• Corporate Business Continuity</li> </ul>

\* Freedom of Information, Environmental Information Regulations, Data Protection Act



**Action has been taken:**

- The programme and project management toolkit was approved by the project management working board and launched in June 2014.
- The Managing Director attended the July 2014 Panel meeting and explained how a culture of compliance was being promoted and that the new Management Team would be charged with delivery of the audit actions as a priority.
- The Management Team formally consider all audit reports that have been given 'limited' or 'little' assurance opinions and agree with the relevant manager the improvements that need to be made.
- The Head of Resources has appointed temporary staff to the debtors team to deal with the issues identified by internal audit.

Each year the Panel consider how effective they have been in overseeing the Council's governance arrangements.

This governance statement is reported to Council once it has been approved. The Chairman of the Panel submits a report to the same Council meeting, that summarises the work of the Panel, so allowing Council to take comfort that key governance processes are being reviewed.

January 2014	March 2014	May 2014	July 2014
Approval of Fraud Prosecution Policy	Note measures introduced or proposed to support procurement compliance	Considered outcome of peer review of internal audit service	Discussion with the Managing Director on improving officer compliance in key control areas
Note the outcomes from the 2012 National Fraud Initiative	Approve Constitution changes. Consider the proposed employee handbook	Considered Internal Audit annual report and opinion, March 2014	Approve internal audit plan 2014/15
Note a report on internal audit opinions/reports terminology	Review external audit plan for 2013/14	Note progress on issues from 2012/13 AGS	Review of effectiveness of Licensing Committee/ Licensing & Protection Panel.
Review delivery of the internal audit plan	Note new audit committee guidance issued by CIPFA	Review external audit 2012/13 grant certification	Considered changes to Members Allowances Scheme
Note the progress in introducing external audit recommendations	Review the risk register and management of risks	Approve Constitution changes to improve management of Council meetings	Note Office of the surveillance Commissioner report on the management of covert activities.
<ul style="list-style-type: none"> <li>• Corporate Fraud Team activity 2012/13</li> <li>• Whistleblowing concerns received</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting policies</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Fraud Team activity 2013/14</li> </ul>	

# Managing key risks

All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. Managing risk is a key element of service planning.

## Risk Management Strategy

The Council has a risk management strategy. It was reviewed by the Cabinet in July 2014 to ensure it remains appropriate and reflects the approach the Council wishes to take to the management of risk. The successful delivery of the Corporate Plan priorities depends on the Council's ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable. The diagram opposite outlines the Council's approach to identifying and managing risk.

## Risk review process

Significant corporate and operational risks are identified and recorded within a risk register. All risks are assigned owners.

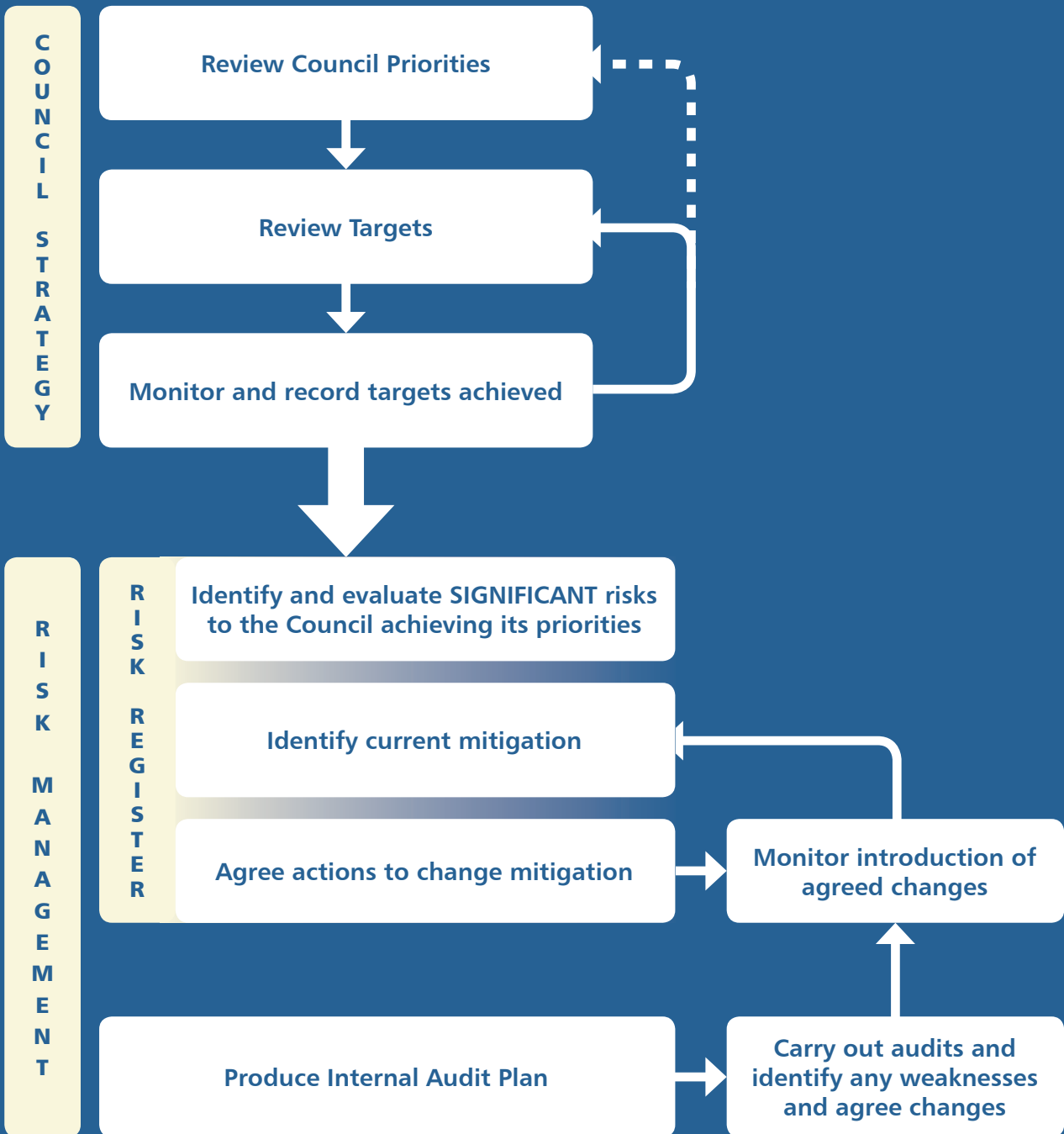
Senior Managers review the risk register on a quarterly basis and are required to positively state the level of assurance they can place upon the controls that mitigate risks. This information is reported to the Corporate Governance Panel twice a year and is a key component of the Council's overall assurance framework.

Where residual risk exceeds the 'risk appetite', Managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced. Copies of the risk management strategy (which contains details of the Council's risk appetite) and risk reports considered by the Corporate Governance Panel are available on the Council's website.

Whilst the risk register contains over 150 risks, the most significant are listed below.

Risk	Effect upon the Council
Reductions in government funding and the failure to deliver planned savings leading to the need to make alternative financial savings in the short term.	Non-statutory services are reduced or stopped. Statutory services are reduced to minimum levels.
The Council does not receive income from, or reduce its surplus operational property assets leading to it not achieving the savings that have been included within the Facing The Future programme.	Other service areas are required to identify additional financial savings.
Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected service cuts.	Loss of the value of the investments and significant reduction in interest received.
Reducing availability of affordable housing and changes to local housing allowances leads to less people being housed, longer stays in temporary accommodation and increased use of bed and breakfast accommodation.	Continued uncontrollable pressure upon the homelessness budget.
ICT Security controls are breached causing both the loss of data and a loss of confidence in the integrity of the data being held.	Reputational damage, cost of rectifying weaknesses, possible significant fines.
Personal data and information is accidentally released/published outside the Council.	Prosecution, possible financial penalties and reputational damage.
Huntingdon town centre redevelopment does not progress as anticipated leading to a reduction in economic growth/business opportunities and reducing shoppers/visitor numbers.	Failure in achieving the Corporate Plan aim of delivering a strong local economy.

# Identifying and Managing Risk



# Managing the risk of fraud

The Council has a corporate fraud team that investigates both welfare and non-welfare fraud.

In April 2013, the National Fraud Authority requested that the Council create a 'Fraud Hub' for Cambridgeshire. The Chartered Institute of Housing and Department for Communities and Local Government also requested the Council develop a 'Tenancy Fraud Forum' for Cambridgeshire. This started to operate in February 2014. The 'Tenancy Fraud Forum' won the National Fraud Authority 2013 Innovation award for its approach to combating social housing fraud. External funding has been secured to allow both these initiatives to continue until March 2015.

Both the fraud hub and forum have had a direct impact upon one of the Council's key risks – reducing homelessness. During 2013/14, 11 social housing properties that were being illegally sub-let were recovered as a result of tenancy fraud investigations.

The Corporate Governance Panel fraud working party has met regularly. In addition to gaining a better understanding of the work that was being done to counter fraud it has also considered the future of the corporate fraud team once the Department for Works and Pensions single fraud investigation service becomes operational in March 2015.

To act as a deterrent to fraudsters, the Council issues press releases in respect of all benefit fraud cases that it successfully prosecutes and maintains a 24/7 telephone line to allow the public to raise concerns about possible welfare frauds. There is also a 'whistleblowing' telephone hot-line and a dedicated email address and web-form that allows people to raise more general concerns about 'wrong-doing'. Due to the nature of these concerns they are not made public. A report detailing both the activity and performance of the fraud team and the general nature of the whistleblowing allegations received is presented to the Corporate Governance Panel each year. The report is available on the Council's website.

**Cambridgeshire Tenancy Fraud Forum**

**Housing cheats deprive honest people of a home and cost you money**

If you know someone who is committing tenancy fraud or trying to jump the housing waiting list tell us at: [www.cambstenancyfraud.net](http://www.cambstenancyfraud.net) or 0800 952 0075

To find out more about tenancy fraud please visit [www.cambstenancyfraud.net](http://www.cambstenancyfraud.net)

Logos at the bottom include: Aviom, bpha, Cambridgeshire Council, Huntingdonshire, LUMINUS, and others.

## A 'Whistleblowing' policy is in place.

The policy is reviewed annually and updated as and when required to bring it in line with best practice. The Council is committed to the highest standards of quality, probity, openness and accountability. As part of that commitment it encourages employees and others with serious concerns about any aspects of the Council's work to come forward and make those concerns known. Full details of how concerns are dealt with can be found on the Council's web pages.

# Responsible Financial Officer

The Council has appointed a Responsible Financial Officer. This is a statutory post, responsible for delivering and overseeing the financial management arrangements of the Council. The Head of Resources is the Responsible Financial Officer and is a member of the Chief Officers' Management Team. He has line management responsibility for the Accountancy team. The role conforms with the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Responsible Financial Officer has been involved in reviewing the Code of Corporate Governance and preparing this Statement from its early stages. He is satisfied with the arrangements that are in place for managing finances and considers the system of internal control is working effectively and that no matters of significance have been omitted from this Statement.

## Managing resources

The Council is continuing to face increasing financial pressures. It aims to be self-financing. In order to achieve this, tough decisions will need to be made about how services will be delivered in the future and how they will be financed.

A zero based budget review is planned to commence in September 2014 with a view to driving out costs from the base budget. Work has already begun with Cambridge City Council and South Cambridgeshire District Council to develop and deliver shared services to release efficiencies. The opportunities identified from the Facing the Future programme will also lead to a transformation of services. All of these initiatives will assist the Council to develop a sustainable medium term financial strategy.

Good financial management is more important than ever. Over the past year there has been an improvement in the frequency of reporting the forecast financial position, more rigorous financial monitoring and improved transparency in the information supplied. These improvements have included the Cabinet receiving, on a monthly basis, the Financial Performance Monitoring Suite and all Members receiving the Financial Dashboard.

One of the issues that has affected the Council in the past and been referred to in previous Statements, has been the reluctance of budget holders to confirm likely underspending early in the year or be open about the expected financial savings that will be achieved. Much work has been done to improve this area. Budget holders have also been regularly reminded that they need to carefully manage their budgets.

### Key Improvement Area for 2013/14

Improve budget holders' financial competency and awareness for good budgetary control and management.

# Internal and External Audit assurance

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and External Auditors – PricewaterhouseCoopers LLP.

## Internal Audit

The Corporate Governance Panel agreed that the Public Sector Internal Audit Standards (PSIAS) should be followed from April 2013. These have been developed specifically for public sector organisations. The Panel also approved an Internal Audit Charter – this sets out the internal audit role and its responsibilities and clarifies its independence.

Internal audit are required by Regulation to review how they work each year. Corporate Governance Panel considered the Internal Audit and Risk Managers self-assessment in May 2013 and the outcome of an external peer review in March 2014. They noted that a number of improvements to current internal audit procedures had been identified and an action plan has been agreed. Panel decided that there were no issues of 'non-conformance' with the PSIAS that needed to be included in this statement.

Good practice suggests that internal audit should also be reviewed against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit. This has not been done. The PSIAS are considered sufficiently challenging and deal with similar issues to those in the CIPFA Statement.

One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit and Risk Manager. In respect of the 12 month period ending March 2014, the opinion expressed was that the "Council's internal control environment and systems of internal control as at 31 March 2014 provide limited assurance over key business processes and adequate assurance over financial systems".

A limited assurance conclusion was given due to the serious concerns identified in the following areas:

- officers' non-compliance with the Code of Procurement;
- the lack of oversight and control in the Council's use of social media;
- control failings within Café Zest and the 'Pure' spa and therapy facilities operated by One Leisure; and
- the lack of frequent and formal challenge of the value for money obtained from completed projects

Actions have been agreed to deal with all of the four areas noted above. Whilst there has been a noticeable improvement in compliance with the Code of Procurement, both the Corporate Governance Panel and Chief Officers' Management Team consider this issue should remain a significant governance issue for the year ahead.

### **Key Improvement Area for 2014/15**

Continue to educate and train employees in good procurement practice.

## External Audit

The Annual Financial Report for 2013/14 has been audited and an unqualified opinion been issued. The external auditor also issued an unqualified value for money opinion for 2013/14. The external auditor has acknowledged the progress the Council has made in respect of the governance and control issues they reported in 2012/13 but consider that further work is required before the improvements could be demonstrated as being fully embedded. The Managing Director accepts these comments and has already taken action to renew the Governance Board/Group process following the introduction of the new senior management structure. No new governance concerns have been raised by the external auditor.

## Significant Governance Issues

The progress that has been made in dealing with the governance issues that were identified in the 2012/13 Statement have been highlighted throughout the Statement.

Whilst generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issues, as highlighted in the Statement, have been identified for improvement.

Key Improvement Area	Lead Officer	To be delivered by
Develop the themes and aims of the Corporate Plan through service delivery plans, performance measures and employees performance targets.	Managing Director	March 2015
Publicise the vision statement & strategic themes and outcomes to key stakeholders.	Corporate Team Manager	May 2015
Review partnership commitments with an emphasis on the benefits obtained and contribution towards the Corporate Plan.	Corporate Director - Delivery	March 2015
Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement.	Head of Resources	On-going



Councillor Jason Ablewhite  
Executive Leader



Joanne Lancaster  
Managing Director

Signed on behalf of Huntingdonshire District Council



Annual Governance Statement  
2013/2014