

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **CIVIC SUITE 0.1 B, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 30 JUNE 2010** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 6)

To approve as a correct record the Minutes of the meeting of the Panel held 24th March and 19th May 2010.

**Miss H Ali
388006**

2. MEMBERS' INTERESTS

To receive from Members declarations as to personal and/or prejudicial interests and the nature of those interests in relation to any Agenda Item. Please see Notes 1 and 2 overleaf.

3. FINAL ACCOUNTS 2009/10 (Pages 7 - 60)

To consider a report by the Head of Financial Services seeking approval of the draft Statement of Accounts for the 2009/10 financial year.

**Mrs E Smith
388157**

The Statement of Accounts will be **TO FOLLOW**.

4. EXTERNAL AUDIT - PROGRESS REPORT (Pages 61 - 64)

To receive a report from the Head of Financial Services on the latest position in respect of the Council's Use of Resources Assessment and audit of the Financial Statements 2009/10.

**S Couper
388103**

5. INTERNAL AUDIT SERVICE: TERMS OF REFERENCE AND INTERNAL AUDIT STRATEGY (Pages 65 - 80)

To consider a report by the Audit and Risk Manager seeking approval of the Internal Audit Terms of Reference and Strategy.

**D Harwood
388115**

6. INTERNAL AUDIT SERVICE: INTERNAL AUDIT PLAN (Pages 81 - 94)

To consider a report by the Audit and Risk Manager regarding the Internal Audit and Assurance Plan for the 12 month period commencing August 2010.

**D Harwood
388115**

7. MONEY LAUNDERING AVOIDANCE POLICY & PROCEDURE
(Pages 95 - 98)

To consider a joint report by the Head of Law, Property and Governance and Audit and Risk Manager seeking approval of a Money Laundering Avoidance Policy.

D Harwood
388115

8. ANTI-FRAUD AND CORRUPTION FRAMEWORK (Pages 99 - 110)

To receive a report by the Audit and Risk Manager on the Anti-Fraud and Corruption Framework.

D Harwood
388115

9. COMPLAINTS

A Roberts
388015

(a) Annual Complaints (Pages 111 - 114)

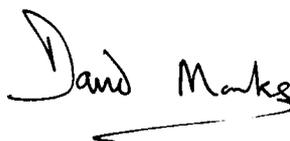
To consider a report by the Director of Central Services on the internal complaints determined by the Local Government Ombudsman in 2009/10.

(b) Local Government Ombudsman: Local Settlement of Complaint (Pages 115 - 116)

To consider a report by the Director of Central Services on the local settlement of a complaint made to the Local Government Ombudsman.

A Roberts
388015

Dated this 23 day of June 2010



Chief Executive

Notes

1. *A personal interest exists where a decision on a matter would affect to a greater extent than other people in the District –*
 - (a) *the well-being, financial position, employment or business of the Councillor, their family or any person with whom they had a close association;*
 - (b) *a body employing those persons, any firm in which they are a partner and any company of which they are directors;*
 - (c) *any corporate body in which those persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or*
 - (d) *the Councillor's registerable financial and other interests.*
2. *A personal interest becomes a prejudicial interest where a member of the public (who has knowledge of the circumstances) would reasonably regard the Member's personal interest as being so significant that it is likely to prejudice the Councillor's judgement of the public interest.*

Please contact Miss H Ali, Democratic Services Officer, Tel No: 01480 388006 / e-mail: Habbiba.Ali@huntsdc.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 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 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 PANEL held in the Aquarius Room, St Ivo Leisure Centre, Westwood Road, St Ives, Cambs, PE27 6WU on Wednesday, 24 March 2010.

PRESENT: Councillor C J Stephens – Chairman.
Councillors M G Baker, P L E Bucknell, P J Downes, A Hansard and T V Rogers.

APOLOGY: An Apology for absence from the meeting was submitted on behalf of Councillor S J Criswell.

33. MINUTES

The Minutes of the meeting of the Panel held on 9th December 2009 were approved as a correct record and signed by the Chairman.

34. MEMBERS' INTERESTS

Councillors A Hansard and T V Rogers declared personal interests in respect of Minute No. 09/43 by virtue of their membership of the Cabinet.

35. HOUSING AND COUNCIL TAX BENEFIT FRAUD STRATEGY AND PROSECUTION POLICY

Consideration was given to a report by the Head of Customer Services (a copy of which is appended in the Minute Book) detailing a review of the Benefit Fraud Strategy and Benefits Prosecution Policy.

In noting the increasing levels of fraud detection activity and the levels of sanction and prosecution undertaken by the Council, including those within the Local Taxation and Housing Departments, attention was drawn to the changes proposed to the Strategy and the Prosecution Policy.

RESOLVED

- (a) that the contents of the report be noted;
- (b) that the revised Benefit Fraud Strategy set out in Annex A to the report now submitted be approved;
- (c) that the revised Benefit Fraud Prosecution Policy set out in Annex B to the report now submitted be approved; and
- (d) that the Cabinet be recommended to amend the delegated functions to allow the Fraud Team to undertake investigations in fraud affecting Local Taxation and Housing Services and all other District

Council services and to report to the relevant Department on the outcomes, findings and recommendations arising from these investigations.

36. ORGANISATIONAL ASSESSMENT 2008/09

(Mrs L Sandford of Grant Thornton UK LLP and Mr N Smith from the Audit Commission, were in attendance for consideration of this item).

With the aid of a report (a copy of which is appended in the Minute Book) the Panel were apprised with the findings of the Audit Commission's report on the Council's Organisational Assessment for 2008/09.

In introducing the report, Mr N Smith from the Audit Commission informed Members of the Panel that the Council had performed well overall, improving on a number of areas that matter to local people. In terms of the future, the Panel's attention has been drawn to those areas which had been identified for improvement. In discussing Huntingdonshire's performance against other District Councils, Members were advised that whilst performance was compared to the other Cambridgeshire authorities, comparisons were also made against comparable authorities who have similar characteristics to that of Huntingdonshire.

RESOLVED

that the Organisational Assessment report for 2008/09 be received and noted.

37. EXTERNAL AUDITOR'S REPORT: CERTIFICATION OF GRANTS CLAIMS 2008/09

(Mrs L Sandford of Grant Thornton UK LLP and Mr N Smith from the Audit Commission, were in attendance for consideration of this item).

Consideration was given to a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) detailing the External Auditor's certification of specific grants received by the Council in 2008/09. In noting there were no significant issues arising from the report, the Panel

RESOLVED

that the Grants Report for 2008/09 be received and noted.

38. NATIONAL FRAUD INITIATIVE

With the aid of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel received background information relating to the National Fraud Initiative and the work undertaken by the Council on the resulting, potentially fraudulent, matches provided by the Audit Commission. Having had their attention drawn to the various data sources required to be submitted to the Audit Commission, Members were apprised with the results of the data matching exercise which indicated that a low number of fraud cases and errors had been identified, which were

currently being investigated by the Fraud Team.

RESOLVED

that the content of the report now submitted be noted.

39. RISK REGISTER

With the aid of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was acquainted with changes made to the Risk Register between the period 1st September 2009 to 28th February 2010 inclusive. Having requested for specific information on the “very high” residual risks to be included in future reports, it was

RESOLVED

that the contents of the report be noted.

40. INTERNAL AUDIT SERVICE: INTERIM PROGRESS REPORT

The Panel received and noted a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) summarising the progress made to date in respect of the delivery of the 2009/10 Annual Audit Plan and the performance standards achieved. Members were encouraged to note the achievement made by the Council with regard to the implementation of agreed audit actions which had been delivered on time. An update on issues previously raised concerning the Code of Procurement and data encryption will be submitted to the Panel at its September 2010 meeting.

RESOLVED

that the content of the report now submitted be noted.

41. PROPOSED CHANGES TO THE CONSTITUTION

With the aid of a report by the Head of Financial Services (a copy of which is appended in the Minute Book) the Panel gave consideration to proposed changes to the Code of Financial Management and Code of Procurement.

RESOLVED

that the Council be recommended to approve the revised Code of Financial Management and Code of Procurement as appended to the report now submitted.

42. PROGRESS REPORT ON ISSUES IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT AND RISK ASSURANCE

Consideration was given to a joint report by the Heads of People, Performance and Partnerships and Financial Services (a copy of which is appended in the Minute Book) which provided the half yearly review of the Annual Governance Statement Action Plan, together

with the Council's improvement plan, and an overview of the level of assurance provided to the Council for those risks identified within the Risk Register.

RESOLVED

- (a) that progress made to date with regards to the implementation of the action plan arising from the Annual Governance Statement and the Council's improvement plan be noted; and
- (b) that the level of assurance provided within the Risk Register be noted.

43. APPOINTMENT OF CABINET MEMBERS

With the aid of a report by the Head of Democratic and Central Services (a copy of which is appended in the Minute Book) consideration was given to a proposal by the Structure Review Working Party to amend the structure of the Council to a form of leadership required by the Local Government and Public Involvement in Health Act 2007. Whilst the Act requires the Council to implement either an elected mayor or an executive leader model at its annual meeting in May 2011, it is being proposed that interim arrangements should be introduced for the Leader of the Council to be authorised to determine the membership of the Cabinet with effect from May 2010. Whereupon, it was

RESOLVED

that the Council be recommended to delete the following Council Procedure Rules with effect from the annual meeting of the Council in May 2010:-

- "1.1 (vii) appoint the Deputy Leader;
- 1.1 (viii) agree the number of members to be appointed to the Cabinet and appoint those members to the Cabinet."

44. MEMBER DEVELOPMENT POLICY

By means of a report by the Head of Democratic and Central Services (a copy of which is appended in the Minute Book) the Panel were provided with an opportunity to review the content of a draft Member Development Policy. Having been advised that the Policy had already been endorsed by the Member Charter Working Group, and following discussions regarding the financial implications of the proposal upon the Council, the Panel

RESOLVED

that the Member Development Policy as set out in Annex A to the report now submitted be approved.

Chairman

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Civic Suite, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 19 May 2010.

PRESENT: Councillors M G Baker, P L E Bucknell, K J Churchill, S J Criswell, T V Rogers and C M Sanderson.

APOLOGY: An Apology for absence from the meeting was submitted on behalf of Councillor T D Sanderson.

1. ELECTION OF CHAIRMAN

RESOLVED

that Councillor T D Sanderson be elected Chairman of the Panel for the ensuing Municipal Year.

2. MEMBERS' INTERESTS

No declarations were received.

3. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

that Councillor M G Baker be appointed Vice-Chairman of the Panel for the ensuing Municipal Year.

Chairman

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**FINAL ACCOUNTS 2009/10
(Report by the Head of Financial Services)**

1. INTRODUCTION

- 1.1 The Council's Final Accounts needs to be approved by the Panel prior to the auditors commencing the audit.
- 1.2 Much of the content of the Council's accounts is set by a statutory Code of Practice. As a result, they are not easy for the lay reader to understand but the inclusion of notes to various accounts helps explain the key aspects.
- 1.3 Their prime purpose is to form the official record of what has happened in the last year and, when audited, they will demonstrate that a proper level of financial stewardship has been achieved on behalf of local residents. The Annual Governance Statement, which will also form part of the booklet when it is published after audit, will be considered separately at the Panel's September meeting.
- 1.4 If the Council's auditors, Grant Thornton UK LLP, identify any significant concerns during the course of the audit then these will also be reported to the Panel in September.
- 1.5 Now that the Leisure Centre Management Committees have been formally dissolved the accounts of the leisure centres have been fully integrated into the accounts of the Authority for the first time. This includes restating relevant opening balances.

2 LAST YEAR'S AUDIT

- 2.1 When last year's accounts were approved for publication in September 2009 the external auditor made three recommendations and the Council's response is shown against each one:
 - a) In preparation for the introduction of International Reporting Standards (IFRS) the Council should review its fixed asset register
The Council will modify its records as necessary to support the 2010/11 accounts.
 - b) Also in preparation for IFRS the Council should ensure it has arrangements in place to meet the valuation requirements for fixed assets.
The Estates and Property Manager has had discussions with the external valuers and they are aware of the new requirements for IFRS.

- c) Proposal that all journal entries should be independently reviewed.

As in previous years, your officers rejected the need for general independent checking of journals because they are only completed by accountancy staff who are experienced and knowledgeable.

However, having considered the risks involved, all significant items, have been reviewed.

3. USE OF RESOURCES

- 3.1 The new Government has decided to cancel the Comprehensive Area Assessment and Use of Resources regime. This does not mean that good practice should not be maintained and so it is important that the Panel have an adequate understanding of the Final Accounts. It is therefore intended to provide an introduction to the key elements and issues when this report is presented, thus enabling more effective discussion.
- 3.2 Panel members are also encouraged to identify, in advance, any areas on which they require explanation or clarification to ensure that fuller explanations can be given at the meeting. Please notify Steve Couper of any such areas in advance of the meeting.
- 3.3 As usual, the timetable for preparing the Final Accounts is demanding and it may be necessary for them to be circulated after the agenda. Every effort will be made to do this as soon as possible to give Members as much time as possible to review them.

4 RECOMMENDATIONS

- 4.1 It is recommended that the Panel approve the draft Final Accounts so that the audit can commence

ACCESS TO INFORMATION ACT 1985

Final Accounts and Working Papers held in the Accountancy Section

Contact Officer:

Eleanor Smith, Accountancy Manager ☎ 01480 388157

Steve Couper, Head of Financial Services ☎ 01480 388103



Statement of Accounts For the year ended 31 March 2010

Chairman of the Council 2009/10	Councillor J Davies
Leader of the Council 2009/10	Councillor I C Bates
Executive Councillor for Finance 2009/10	Councillor T V Rogers
Chief Executive	Mr D Monks
Director of Commerce and Technology	Mr T Parker
Auditors	Grant Thornton UK LLP

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Introduction and Financial Summary

INTRODUCTION

In order to ensure that the financial accounts of local authorities are reliable, comparable and understandable a Statement of Recommended Practice (SORP) has been created which sets out how they should be prepared and what they must include. The Council's external auditors, appointed by the Audit Commission, ensure that Huntingdonshire's accounts comply with this SORP and that they 'present fairly' the financial position and transactions of the Council.

The SORP is updated annually to reflect the latest national and international developments. The section on Accounting Policies gives some explanation of the main aspects. The change this year is significant in relation to the treatment of the Collection Fund and where relevant the figures have been restated for last year to allow comparability.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2009 to 31 March 2010. It includes an Annual Statement on Governance which describes how the Council ensures that proper standards are maintained and that there is effective stewardship of public money.

The first account is the Income and Expenditure Account which shows the total costs of providing the Council's services and how they were funded. This is based on the SORP but the Government has defined certain adjustments, mainly relating to pensions and capital financing, that shall be made to reduce the amount that Council Tax payers must pay and these are shown in the Statement of Movement on the General Fund Balance.

The Balance Sheet summarises the Council's assets and liabilities at the end of the year (31 March 2010) and the Cash Flow Statement sets out where the money came from and how it was spent. Explanatory notes give greater detail.

There is a separate account for the Collection Fund which shows the amounts collected from Council Tax and Business Rate payers. It identifies the sums passed to the Government (business rates) the County Council, the Fire and Police authorities and Town and Parish Councils together with any surplus or deficit.

A section is also included which explains the current position on the Pension Fund.

FINANCIAL SUMMARY 2009/10

The paragraphs below highlight the key points relating to the Council's financial position recorded in the accounts. They are followed by a simplified version of the Income and Expenditure account.

Revenue Spending

The original budget had a deficit of £3.8m which it was planned to fund from reserves. The Council has spent £1.9m less than expected, though £0.3m of spending on projects has been deferred to 2010/11. The opportunity has been taken to place this £1.9m in a Special Reserve to be used to meet any one-off costs of achieving the significant reduction in net expenditure required over the next few years. This counts as expenditure and so there is no change to the £3.8m needed from general reserves.

The main items leading to the lower spending this year were lower provision for debt repayments net of interest (-£499k), extra specific government grant (-£579k), recovery of VAT (-£696k), housing benefits (-£130k), savings on management units (-£469k), items slipping to the following year in excess of the provision (-£96k). These savings have been partly offset by extra spending and reduced income on development control (£280k) and One Leisure (£194k).

2008/09	Revenue spending	2009/10		
Outturn		Budget	Outturn	Variation
		£000	£000	£000
19,950	Net Expenditure	23,380	21,393	-1,987
	Contribution to Special Reserve		1,913	+1,913
19,950	Total Net Expenditure	23,380	23,306	-74
	Funded from:			
-12,158	Government Support (RSG + NNDR)	-12,572	-12,572	0
-6,668	Council Tax	-7,023	-7,023	0
28	Collection Fund Deficit	-27	-49	22
0	Deferred projects reserve	0	96	-96
-1,152	Deficit funded (-) from Reserves *	-3,758	-3,758	0
-19,950		23,380	23,306	-74

*General Reserve and Delayed Projects Reserve

Capital Spending

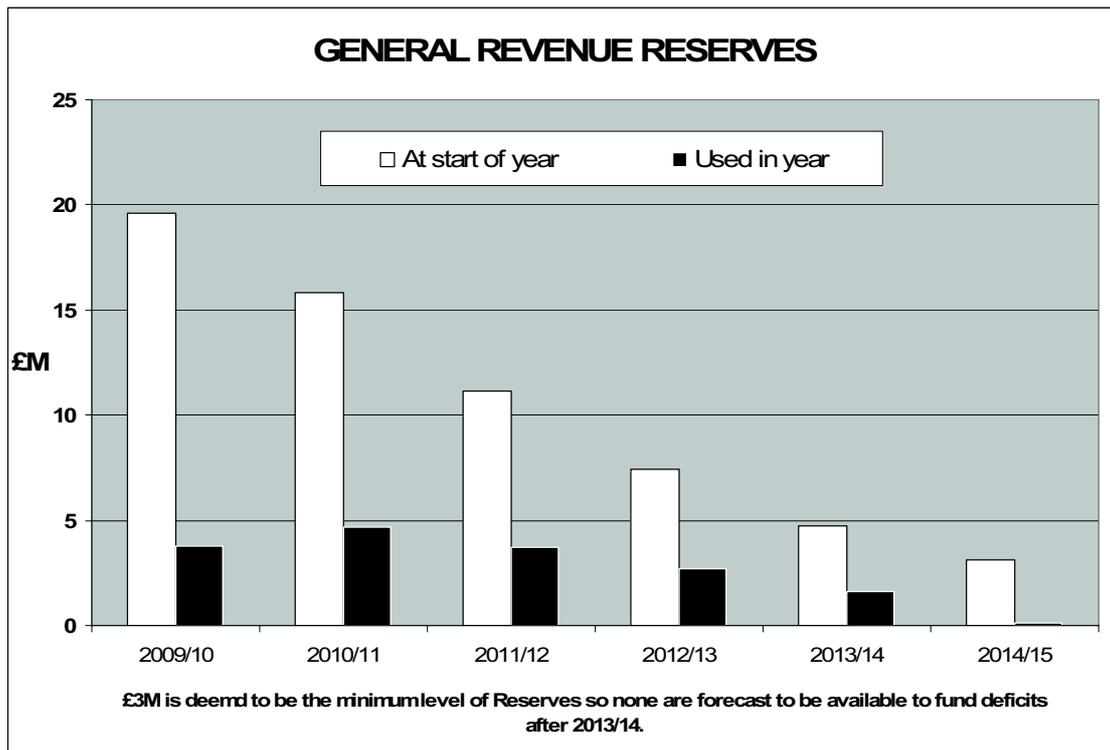
The original net budget was for £17.8m and assumed that there would be schemes brought forward from 2008/09 of £0.7m. However, reduced contributions towards schemes in 2008/09 resulted in a negative brought forward amount of £1.1m. A combination of reductions and delays in the Capital Programme in 2009/10, mainly as a result of the economic situation, has resulted in a net £5.1m of schemes being either removed or deferred to 2010/11 and beyond.

Capital Spending	2009/10 £000
Environmental Services	292
Industrial and Economic Development	677
Parks and Countryside	712
Leisure Centres	2,425
Community Grants	65
Housing	2,198
Community Safety	8
Highways and Transportation	763
Vehicles and Plant	593
Office accommodation (new Customer Services Centre and Offices in St Mary's Street)	5,969
IT	904
Other	39
Gross	14,645
Less external contributions and capital grants	-3,013
Net	11,632
Funded from	
Capital Reserves (capital receipts)	895
Borrowing	10,737

Reserves

General Revenue reserves are now down to £15.6m and Capital reserves are effectively nil with any capital receipts being used to fund expenditure in the year they are received.

The Council's last financial forecast was produced in February and showed revenue reserves falling to £3m (our current estimate of the minimum level required) over the next few years as shown in the chart below:



The forecast will be reviewed again in September to take account of the latest information including the 2009/10 outturn.

Pension Fund

The pension fund's actuary reviews the adequacy of the fund to meet future liabilities each year. This year, 2009/10, he has changed the post-retirement mortality assumptions as a result of longer life expectancies which has increased the expected liabilities on the fund. He has also taken account of the additional employees' contributions and the impact on the funds investments from falls in the stock market resulting from the recession. The net effect is that the forecast deficit has risen from £30m to £68m. In the short and medium term there are adequate funds to meet all pension payments.

Such calculations tend to be, rightly, cautious but investments are predominantly in the stock market because, over the long term, returns have been good. If this continues to be true then future valuations will improve.

There are more detailed valuations of the Pension Fund every three years and these result in changes to the employer's contribution rate so that the Fund will become sufficient in the long term. The rate for 2009/10 was 18.4% and the Council's MTP already provides for increases in 2010/11 (20.4%) and future years. The valuation this autumn based on the position as at 31 March 2010 will confirm the employer's contributions for 2011/12 and the following two years.

Treasury Management

In June 2010 the Council will receive a report on Treasury Management activity during 2009/10. It explains how the Council has continued to be prudent in its investment policy whilst still attempting to get reasonable returns. Instant notice liquidity accounts, banks with high credit ratings and UK building societies have been used in order to create a strategy that beats base rate at a very low risk of non-repayment. The report also highlights that the Council's investments exceeded their benchmark by 3.7% mainly due to some longer term investments that were made before interest rates fell.

SIMPLIFIED REVENUE INCOME AND EXPENDITURE ACCOUNT

The following table shows a simplified combination of the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

2008/09 Actual	Revenue Income and Expenditure	2009/10 Actual	
£000		£000	£000
88,145	Gross Expenditure	86,422	
	Contribution to Special Reserve	1,913	
-24,030	Less government prescribed adjustments**	-9,676	
64,115			78,659
	Income and other items		
-8,313	Fees and charges	-13,343	
-32,800	Government grants including reimbursement of housing and council tax benefits	-40,409	
-2,491	Investment Income	-1,044	
-363	Trading undertakings surplus (-)	-557	
-43,967			-55,353
20,148	Total to be funded		23,306
	Funding		
-6,640	Council Tax	-7,072	
-1,685	General Government Grants	-2,357	
-10,671	NNDR from national pool	-10,215	
-18,996			-19,644
-1,152	Surplus to or deficit (-) met from reserves		-3,662
	Revenue Reserves used (-)		
-1,091	General Revenue Reserves	-3,758	
-61	Provision for delayed projects	96	
-1,152			-3,662

**The most significant of the Government prescribed adjustments are the removal of:

- the depreciation, impairment and deferred charges relating to capital assets
- extra costs included for retirement benefits in excess of the normal employer's contributions.

CONCLUSION

The Council has been independently judged as “excellent” overall and continues to perform well in its use of resources despite the test becoming more difficult. It continues to focus its service developments on those areas that local people see as a priority.

It has a robust Medium Term Plan and Financial Forecast until 2024/25 to ensure that it manages its resources proactively and allows the long term impact of any decision to be carefully considered. A medium term need for significant spending reductions, from extra grant income, increased fees and charges, efficiency improvements and service adjustments, has been identified.

Lower spending than expected in 2009/10 has enabled a Special Reserve of £1.9m to be created that will be used to fund any up-front costs relating to achieving savings. The delivery of these spending reductions will balance service delivery with current plans for limited increases in the Council Tax.

Terry Parker

Director of Commerce & Technology
30 June 2010

Statement of Accounts approved by the Corporate Governance Panel
Chairman: **Cllr. C Stephens**
30 June 2010

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

An Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Commerce and Technology
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts by 30 June 2010

The Responsibilities of the Director of Commerce and Technology

In preparing this Statement of Accounts which presents a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010, I have:

- Selected suitable accounting policies and applied them consistently
- Made judgments and estimates that were reasonable and prudent
- Complied with the SORP
- Kept proper accounting records which were up to date
- Taken into account, where appropriate, any post-balance sheet events
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

Terry Parker
Director of Commerce and Technology
30 June 2010

Annual Statement on Governance

Auditor's Report

Accounting Policies

1. **General**

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2008* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflects the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAPs) applicable to Local Government. The main policies adopted in compiling the accounts are set out below.

2. **Accounting Concepts**

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- accrual of income and expenditure – placing items in the year they relate to rather than the year they take place.
- primacy of legislative requirements – legislation overrides standard accounting practice

The concepts of consistency and prudence are also followed where they do not conflict with the application of these underlying concepts. The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the authority.

Accounts are prepared under the historic cost convention, modified by the revaluation of land and buildings and the use of fair values for home improvement loans. Investments are included in the balance sheet at market value but their fair value is shown in note 31. Rental deposits for tenants have been treated as soft loans for the first time in 2009/10.

3. **Amounts due (Debtors) and amounts payable (Creditors)**

In the accounts, income and expenditure items are included in the year to which they relate, rather than the year in which cash payments are made or received, by the creation of debtors and creditors. Most of these sums are based on detailed records so no material estimates have had to be included.

4. **Revenue Expenditure funded from Capital under Statute**

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

5. Intangible Fixed Assets

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

6. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Non-operational assets - market value
- Other land and buildings (operational assets used for delivery of services) – market value
- Other land and buildings (specialised properties) - depreciated replacement cost
- Vehicles, plant & equipment and infrastructure assets - depreciated historical cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of asset and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in two ways:

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account

- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The balance of receipts is credited to the Capital Reserve, and can then only be used for new capital investment or to repay borrowing. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance (SMGFB).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the SMGFB.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for land, community assets and non-operational properties), by allocating the value of the asset in the balance sheet over the time periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Operational Buildings - 50 years (less if there is evidence to the contrary)
- Vehicles – 25% reducing balance
- Plant and equipment – straight line basis
- Infrastructure – variable depending on the asset to a maximum of 40 years
- Land – Depreciation not charged
- Community Assets - Depreciation not charged
- Non-operational Assets - Depreciation not charged

- 7 **Grants and contributions:** where grants and contributions are received for operational fixed and intangible assets, the amounts are credited to the Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them. For grants and contributions received for non-operational assets or items treated as revenue expenditure funded from capital under statute (see note 4 above) they are credited to the asset account in the year they are received thus reducing the net cost of the asset.

8. **Charges to Revenue for Fixed Assets**

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, starting in 2009/10, the year following its first use of borrowing to fund capital expenditure it must make an annual provision to repay this borrowing, the minimum revenue provisions (MRP).

MRP

The basis for this provision is significantly restricted by legislation and the Council is required to formally approve a policy for the calculation of this provision. This was approved at its meeting in September 2009. The policy for 2009/10 is that MRP is on an annuity basis. This provides annual payments that are the same each year but where the interest element decreases and the principal repayment increases annually.

Depreciation, impairment losses and amortisations will therefore be replaced by this provision in the SMGFB, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

9. **Leases**

Finance leases. The Council has no finance leases in primary rental. The leases are for industrial units and certain items of equipment leased from Finance Companies. They are capitalised and included in the fixed assets shown on the balance sheet. They are accounted for using the policies applied to tangible fixed assets.

Operating leases. The Council leases cars for individual employees and for pool cars. Operating lease rental is charged to revenue in the year it is payable under the terms of the lease.

10. **Stock and Work in Progress**

The value of stock is included in the accounts at cost. Work in progress is included at cost

11. **Reserves**

The Council maintains reserves to meet certain types of expenditure, for future policy purposes and to cover contingencies; they are included in the balance sheet as the General Fund Balance, Capital Reserve and Earmarked Reserves. They are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure is incurred that is to be financed from a reserve, it is charged to the relevant service revenue account and therefore included in the Income and Expenditure Account. The reserve is then transferred

back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

However, there are other reserves, the Capital Adjustment Account, Revaluation Reserve, Financial Instruments Adjustment Account, Collection Fund Adjustment Account and Pensions Reserve, that cannot be used to finance expenditure.

12. Interest Receipts

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve.

13. Pensions

Cambridgeshire County Council administers the Local Government Pension Scheme in which Huntingdonshire District Council's employees may participate; it is accounted for as a defined benefits scheme. The accounting policy is to recognise the full liability that the Council has for meeting the future cost of retirement benefits arising from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated; this meets the requirements of FRS17.

Details of the Council's expenditure, income, assets and liabilities relating to The Local Government Pension Scheme, are given on pages 47 – 51.

14. Revenue Grants

Grants and subsidies have been credited to the appropriate revenue account and accruals have been made for balances known to be receivable for the period to 31st March 2010. Government grants to cover general expenditure are credited to the Income and Expenditure Account. These include the Revenue Support Grant and the Area Based Grant (ABG).

15. Allocation of Support Services

The costs of overheads and support services are charged to services on the basis of use in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008*. The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non-Distributable Costs – for example the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

FRS15 requires part of the overheads relating to staff time spent on capital projects being treated as a revenue charge to the service rather than a charge to the capital project.

16. Value Added Tax

VAT is not included in the income and expenditure accounts (revenue and capital) unless it is not recoverable, in which case it is charged to the relevant service. Historically some VAT relating to exempt services has not been recoverable; full recovery was temporarily permitted in 2007/08 and 2008/09 but reverted to being irrecoverable in 2009/10.

17. Contingent assets and liabilities

If a liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated, the liability is disclosed as a contingent liability. Similarly contingent assets are not included in the accounts but disclosed as notes.

18. Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (e.g. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (e.g. equity investments)
- Fair value through the Profit and Loss – assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or a derivative.

The Council only has items in the Loans and receivables category.

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Council has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end, taking into account the nature, value and age of debts and historic losses for similar groups of assets. Bad debts are written off when they are identified. Debtors falling due after more than one year are classified as long-term assets, which include housing improvement loans and housing advances.

Cash and equivalents

Cash and equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Investments

The Council has both long and short-term investments with various financial institutions. Investments are carried at their amortised cost. The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date.

The Council has made loans for home improvement which are interest-free (soft loans). It gives rental deposits to tenants which are repaid over a period of up to 2 years. A change in accounting policy has treated these as soft loans for the first time in 2009/10. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans in the Income and Expenditure Account is managed by a transfer to the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

19. Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost.

Creditors

Creditors are carried at their original invoice amount

Bank overdrafts

Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand.

Long term loan

Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed as a note

Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values

20. Collection Fund

From 2009/10 the billing authority for council tax (Huntingdonshire District Council) has been defined as an agent for the precepting authorities. The cash collected from council taxpayers belongs proportionately to the billing authority and the major preceptors which has resulted in a debtor/creditor position between the Council and the precepting authorities since the cash paid to each major preceptor will not be its share of cash collected from the council taxpayers.

The collection of national non-domestic rates (NNDR) has also been classified as agency on behalf of central government which has resulted in changes to how NNDR is accounted for.

This change has had an impact on the Balance Sheet, Cash flow and Collection Fund. There have been prior period adjustments, with the 2009/10 statements being restated and a Collection Fund Adjustment Account created.

21. Leisure Centres

Up to and including 2008/09 the accounts of the Leisure Centre Management Committees were reported independently from the accounts of Huntingdonshire

District Council. The Management Committees ceased to exist from 1 April 2009 and therefore all the income and expenditure has been accounted for by the Council. Current assets and reserves of £139k have been transferred and the opening balance sheet has been restated to reflect this change

GLOSSARY OF TERMS

Actuarial Assumptions – these are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation – the gradual write off of initial costs of intangible assets.

Bad Debt Provision – bad debts are amounts owed to the Council which it does not believe will ever be paid back to them. The Council makes a provision for the amount of bad debt it expects to occur.

Capital Contract – this is a contract the Council has with a company to carry out major building or construction work that will take a significant amount of time.

Capital Adjustment Account – the account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts – income received from selling fixed assets.

CIPFA – this is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Contingent Liabilities – these are amounts that the Council may be, but is not definitely, liable for.

Council Tax – a tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors – these are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets – these are assets that are held for a short period of time, for example cash in the bank, stocks and debtors.

Debtors – sums of money owed to the District Council but not received at the year end.

Depreciation – the amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of a fixed asset value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves – money set aside for a specific purpose.

Finance Lease – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease owns the asset then this is known as a finance lease (see also operating lease).

Fixed Assets – tangible assets that give benefit to the District Council and the services it provides for more than one year.

FRS – financial reporting standard.

Government Grants Deferred Account – the value of grants and other external contributions towards capital expenditure which has not yet been written down to the revenue account. As the assets are used this account is reduced by a sum equivalent to the annual depreciation of the asset.

Impairment – an asset has been impaired when it is judged to have lost value.

Intangible Assets – purchased intangible assets (e.g. software licences) should therefore be classed as assets.

Liabilities – amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources – current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Market Value of Assets – the price that an asset can currently be bought or sold at.

National Non Domestic Rates – rates which are levied on business properties. The District Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

Net Asset value – the value of the Council's assets less its liabilities.

Operating Leases – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease does not own the asset then this is known as an operating lease. In this case the person is paying to borrow an asset (see also Finance Leases).

Precept – a payment to the Council's General fund, or another local authority, from the Council's Collection Fund.

Prior Year Adjustments – these are changes made to the previous year's accounts to show things that were not known until after the prior year accounts were produced.

Revaluation Reserve – the account that reflects the amount by which the value of the District Council's assets has been revised following revaluation or disposal.

Revenue Support Grant (RSG) – a grant from Central Government towards the cost of providing services.

SSAP – Statement of Standard Accounting Practice.

Statement of Movement on the General Fund Balance (SMGFB) – an account that comprises of statutorily defined items to reduce the charge on the Council Tax.

Income and Expenditure Account

2008/09		Note	2009/10		
Net Expenditure £000			Gross Expenditure £000	Income £000	Net Expenditure £000
	Net Cost of Services				
	Cultural, Environmental & Planning Services				
5,905	Leisure		13,405	-6,033	7,372
6,715	Environmental Services		7,521	-1,265	6,256
3,257	Refuse Collection		3,120	-128	2,992
7,452	Planning and Development	1	5,838	-3,099	2,739
	Housing Services				
4,384	Housing General Fund		34,876	-31,241	3,635
221	Local Taxation Benefits		7,994	-7,794	200
2,360	Highways and Transportation		3,071	-1,912	1,159
	Central Services				
929	Local Taxation Collection		1,376	-486	890
364	Other Central Services		575	-283	292
12,168	Exceptional item	2	4,422	0	4,422
3,005	Corporate and Democratic Core		3,832	-630	3,202
272	Non-distributed costs		392	-923	-531
47,032	NET COST OF SERVICES		86,422	-53,794	32,628
	Corporate Income and Expenditure				
-363	Gain (-) on disposal of assets				-567
3,737	Parish Precepts				3,915
467	Trading undertakings surplus(-)/deficit	3			-523
222	Interest payable				476
-2,713	Interest and investment income				-1,521
6	Amounts payable into the Housing Capital Receipts Pool				3
1,199	Pensions interest cost and expected return on assets	10			2,352
49,587	NET OPERATING EXPENDITURE				36,763
	Principal Sources of Finance				
-10,377	Income from the Collection Fund				-10,986
-1,685	General Government Grants	11			-2,541
-10,672	Distribution from the Non-domestic rate pool				-10,215
26,853	DEFICIT FOR THE YEAR				13,021

Statement of Movement on the General Fund Balance

2008/09 £000		2009/10 £000
-20,410	General Fund Balance brought forward	-19,319
26,853	Deficit for the year (Income and Expenditure Account)	13,021
-25,762	Net amount required by statute and non-statutory proper practices to be credited to the General Fund	-9,263
1,091	Increase(-)/Decrease in General Fund Balance for the year	3,758
-19,319	General Fund Balance carried forward	-15,561

The following note explains the items that are required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year

2008/09 £000		2009/10 £000	£000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
-1,034	Amortisation of intangible assets	-839	
-21,574	Depreciation and impairment of fixed assets	-8,791	
83	Government grants deferred amortisation	64	
-2,338	Revenue funded from capital under statute	-1,411	
363	Net gain on sale of fixed assets	567	
-4,328	Net charges made for retirement benefits in accordance with FRS17	-4,263	
0	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	1	
-41	Amount by which finance costs calculated in accordance with the SORP are different from those required by statute	15	
-28,869		-14,657	
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund balance for the year		
-102	Commutation adjustment	-17	
0	Minimum revenue provision for capital financing	3	
-6	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	-3	
2,902	Employer's contributions payable to the Cambridgeshire County Council Pension Fund and retirement benefits payable direct to pensioners	3,377	
2,794		3,360	
	Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund balance for the year		
313	Net transfer to or from earmarked reserves		2,034
-25,762	Net additional amount required to be credited to the General Fund Balance for the year		-9,263

Statement of Total Recognised Gains and Losses

2008/09 £000		2009/10 £000
26,853	Deficit on the Income and Expenditure Account	13,021
-7,601	Change in the revaluation of assets	680
9,634	Actuarial gains (-) and losses on Pension Fund assets and liabilities	37,445
5	Deficit/surplus (-) on the Collection Fund	16
28,891	Total recognised gain (-) / loss for the year	51,162

The movement of £51,143k in 2009/10 represents the reduction in reserves as shown on the balance sheet during the year.

Balance Sheet as at 31 March 2010

Restated 2009 £000		Note	2010 £000	2010 £000
2,147	Intangible assets	13		2,036
	Tangible fixed assets	13		
	Operational assets			
30,445	Land and buildings		33,232	
7,766	Vehicles and plant		7,793	
8,465	Infrastructure		8,744	
1,406	Community asset		1,406	51,175
	Non-operational assets			
15,345	Investment properties		17,035	
3,125	Assets under construction		1,020	
1,548	Surplus assets, held for disposal		243	18,298
70,247	Total fixed assets			71,509
15,238	Investments	17	10,570	
1,250	Long-term debtors	18	1,542	12,112
86,735	Total long-term assets			83,621
	Current assets			
791	Cash		1,394	
171	Stock	20	189	
7,411	Debtors	19	11,979	
27,925	Short-term investments		10,124	
444	Payments in advance		515	
36,742			24,201	
	Current liabilities			
-8,494	Creditors	21	-7,333	
-2,459	Receipts in advance		-1,001	
-1,879	Cash overdrawn		-1,307	
-6,000	Short term borrowing		-4,500	
-18,832			-14,141	
17,910	Net current assets			10,060
	Long-term liabilities			
-10,110	Long term Borrowing	22	-10,210	
-140	Deferred credits (including capital receipts)		-341	
-1,050	Deferred grants and contributions	15	-2,616	
-29,716	Pension scheme liability	29	-68,047	
-41,016				-81,214
63,629	Total assets less liabilities			12,467
	Financed by:			
61,506	Capital adjustment account	24	51,151	
8,543	Revaluation reserve	24	7,863	
72	Capital reserve	27	0	
-214	Financial instruments adjustment account	26	-199	
4,126	Earmarked reserves	28	6,137	
-7	Collection Fund adjustment account		1	
19,319	General Fund balance	28	15,561	
-29,716	Pensions reserve	29	-68,047	
63,629				12,467

Terry Parker BA (Hons) FCA, Director of Commerce and Technology

30 June 2010

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

	2008/09 restated		2009/10	
	£000	£000	£000	£000
Revenue Activities				
Net cash inflow/(outflow) from operating activities		961		-2,491
Returns on Investments and Servicing of Finance				
<i>Cash outflows</i>				
Interest paid	222		873	
<i>Cash inflows</i>				
Interest received	-2,713		-744	
		-2,491		129
Capital Activities				
<i>Cash outflows</i>				
Purchase of fixed assets	15,257		11,897	
Long-term investments	5,138		0	
Other capital cash payments	517		248	
<i>Cash inflows</i>		20,912		12,145
Sale of ex-Council houses	-240		-593	
Sale of other assets	-242		-233	
Long-term investments	0		-37	
Capital grants received	-1,217		-531	
Other capital cash receipts	-119			
		-1,818		-1,394
Net cash inflow before financing		17,564		8,389
Management of liquid resources				
Net increase/decrease in liquid resources		-2,324		-11,064
Financing				
<i>Cash outflows</i>				
Repayment of amounts borrowed				1,500
<i>Cash inflows</i>				
New loans raised		-16,000		
Change in balance at bank (- is reduced overdraft)		-760		-1,175

Notes to the Main Financial Statements

Notes to the Income and Expenditure Account

1. Building Control

The Building (Local Authority Charges) Regulations 1998 require the costs of providing certain specified elements of the service to break-even over 3 years.

	2008/09	2009/10
	£000	£000
Income	-422	-405
Expenditure	450	397
Surplus (-)/deficit	28	-8
Cumulative surplus (-)/deficit (3 years)	-101	-78

2. Exceptional item

There has been a material impairment of the Council offices because the valuation of the replacement building is less than its capital cost. The valuations were carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews

Impairment would normally be charged to services as part of accommodation overheads, however due to the nature and size of the adjustment it is included in the Income and Expenditure account as an exceptional item of £4,422k. The cost is reversed out in the Statement of Movement on General Fund Reserve so there is no impact on the council tax.

3. Trading Undertakings

The following items are defined as trading undertakings by the SORP.

	2008/09		2009/10	
	Turnover	Surplus/ Deficit (-)	Turnover	Surplus/ Deficit (-)
	£000	£000	£000	£000
Markets				
Huntingdon	53	15	52	31
Ramsey	5	3	5	1
St Ives	120	77	134	99
Management	1	-62	0	-85
	179	33	191	46
Industrial properties	493	-427	476	282
Commercial properties	229	-73	239	195
Total	901	-467	906	523

The industrial units and commercial properties made a loss because the expenditure includes impairment on its assets.

4. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans is £3k (nil in 2008/09 because the Council had not funded any capital expenditure from borrowing as at 31 March 2008).

5. Members' Allowances and Expenses

	2008/09	2009/10
	£000	£000
Allowances	371	379
Expenses	77	67
	448	446

6. Employee Remuneration

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay and other employee benefits but not employer's pension contributions.

	2008/09	2009/10
£50,000 - <£55,000	14	20
£55,000 - <£60,000		1
£60,000 - <£65,000	2	2
£65,000 - <£70,000	1	2
£70,000 - <£75,000	6	6
£75,000 - <£80,000	2	2
£80,000 - <£85,000		
£85,000 - <£90,000	1	
£90,000 - <£95,000	1	
£95,000 - <£100,000	1	
£100,000 - <£105,000		2
£105,000 - <£110,000		1
£110,000 - <£115,000		
£115,000 - <£120,000		
£120,000 - <£125,000		
£125,000 - <£130,000		
£130,000 - <£135,000		
£135,000 - <£140,000		
£140,000 - <£145,000		
£145,000 - <£150,000		
£150,000 - <£155,000		
£155,000 - <£160,000		
£160,000 - <£165,000		
£165,000 - <£170,000	1	
£170,000 - <£175,000		
£175,000 - <£180,000		1

7. Remuneration for Senior Employees 2009/10

The details of the remuneration of the Senior Employees (Chief Officers) are shown in the table below. They are also included in the table above

Post holder	Salary including allowances	Election Fees	Salary including allowances and fees	Bonus (1)	Benefits in kind	Total remuneration	Employer pension contributions	Remuneration including pension contributions
	£		£	£	£	£	£	£
Chief Executive (David Monks)	149,984	7,812	157,796	8,940	11,039	177,775	28,909	206,684
Director of Central Services	93,191	2,537	95,728	5,418	5,277	106,423	16,695	123,118
Director of Commerce and Technology	94,985		94,985	5,418	1,507	101,910	16,674	118,584
Director of Environment and Community Services	91,727		91,727	5,418	6,475	103,620	16,674	120,294

Note

1. The bonus includes a payment for 2009/10 and a retrospective payment for 2008/09

8. Audit and Inspection Fees

	2008/09 £000	2009/10 £000
External audit	78	103
Grant claim certification	26	18
Statutory inspections	6	8
National Fraud Initiative	3	1
	113	130

9. Related Party Transactions

The Council must disclose in the accounts any material transactions with related parties which include Councillors, Chief Officers, Central Government and other Local Authorities. No material transactions have been identified for disclosure that are not reported elsewhere in these Accounts. Creditors and debtors with Central Government and Local Authorities are shown in notes 19 and 21, whilst Government grants are analysed in note 37 to the cash flow.

10. Pension Costs

Details of pension costs are included in the statement of pension costs, assets and liabilities on page 49.

11. Government Grants Income

Grants not attributable to specific services.

	2008/09 £000	2009/10 £000
Revenue Support Grant	1,486	2,358
Area Based Grant	49	71
Local Authority Business Growth Incentive Grant	150	112
	1,685	2,541

Notes to the Balance Sheet

12. 2008/09 Restated Balance Sheet

The 2008/09 Balance Sheet has been restated for the impact of including the current assets and reserves of the Leisure Centres and for changes relating to the Collection Fund.

13. Assets

All assets held at current value were revalued at 1 April 2009 and applied to the 2009/10 accounts; revaluations are made every five years. The valuations were carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews on the basis of market value or depreciated replacement cost as appropriate. Accounting policy 6 explains the measurement of the valuation and the depreciation policy adopted.

Some assets were revalued at 1 April 2010 where there has been significant changes to the buildings during the year, and applied to the 2009/10 accounts.

As at 31 March 2010 the Council was contractually committed to capital works valued at approximately £3.5m.

	Operational assets				Non-operational assets			Intangible assets		TOTAL
	Land and buildings (note 1)	Vehicles, plant, equipment	Infra-structure	Community assets	Investment properties (note 2)	Assets under construction	Surplus assets held for disposal	Intangible assets (note 3)		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Cost or valuation at 1 April 2009	30,445	10,592	9,325	1,406	15,345	3,125	1,548	4,441	76,227	
Additions	8,246	1,454	427		414	691		652	11,884	
Disposals	-120	-778	-67					-608	-1,573	
Reclassifications	2,210	180	331		1,271	-2,796	-1,271	75	0	
Revaluations	-684				40		-34		-678	
Impairment losses	-5,940				-35				-5,975	
At 31 March 2010	34,157	11,448	10,016	1,406	17,035	1,020	243	4,560	79,885	

Depreciation and impairments at 1 April 2009	0	2,826	860					2,294	5,980
Charge for 2009/10	925	1,573	479				-35	838	3,780
Revaluation gains in respect of accumulated depreciation/adjustments									
Disposals		-744	-67				35	-608	-1,384
At 31 March 2010	925	3,655	1,272				0	2,524	8,376

Balance Sheet amount at 1 April 2009	30,445	7,766	8,465	1,406	15,345	3,125	1,548	2,147	70,247
Balance Sheet amount at 31 March 2010	33,232	7,793	8,744	1,406	17,035	1,020	243	2,036	71,509

Notes

1. The Council operates five Leisure Centres provided by the Council on land associated with schools. These are included in the accounts at market value.
2. Investment properties are generally held for economic development purposes, but are required to be shown as investment properties.
3. Intangible assets represent software licenses.

Major assets held at 31 March 2010	Number
Offices and depot	4
Leisure Centres	5
Markets	2
Bus stations	2
Public conveniences	7
Car parks	23
Mobile home park	1
Country parks	2
Recreation grounds	6
Pavilions	4
Eco homes	2
Vehicles and plant	111
Investment properties	119
Surplus assets held for disposal	1

14. Financing of Capital Expenditure

	2008/09	2009/10
	£000	£000
Capital receipts	16,433	823
External contributions and capital grants	3,081	3,085
Borrowing	447	10,737
Revenue	1	0
Total financed	19,962	14,645

15. Deferred grants and contributions

	2009	2010
	£000	£000
Balance as at 1 April	1,399	1,050
Increase in deferred grants and contributions	940	1,690
Use of account to fund depreciation	-72	-124
Impairment	-1,217	0
Balance as at 31 March	1,050	2,616

16. Leases

Finance Leases

Historically the Council occasionally used finance leases to meet the cost of industrial units, vehicles, plant and equipment. There are only two leases remaining and they are in a secondary stage. The following values of assets are held under finance leases by the authority, accounted for as a part of tangible fixed assets:

	Land & Buildings	
	£000	
Gross value of assets held under finance leases		267
Net Value at 1 April 2009		267
Additions		
Revaluations		
Depreciation charged in year		
Disposals		
Value at 31 March 2010		267

There were no finance charges allocated for the period 2009/10.

Outstanding obligations (excluding finance costs) at 31 March 2010, accounted for as part of long-term liabilities, are as follows:

	Land & Buildings	Vehicles, Plant, Equipment
	£000	£000
Amounts payable within one year		
Amounts payable between in 2 - 5 years	1	0
Amounts payable in over 5 years		
Additions		
Revaluations		
Depreciation charged in year		
Disposals		
Value at 31 March 2010		
Cumulative depreciation as at 31 March 2010	0	0

There were no new obligations taken on before 31.3.10 which did not commence until after year end

Operating leases

Operating lease payments

	2009	2010
	£000	£000
Buildings	0	0
Vehicles	97	98
Total	97	98

Future liability under existing operating leases

	2009		2010	
	£000		£000	
	Buildings	Other	Buildings	Other
Leases expiring in 1 year	0	75	0	82
Leases expiring in 2 - 5 years	0	73	0	113
Leases expiring in more than 5 years	0	0	0	
	0	148	0	195

17. Long-term Investments

	2009	2010
	£000	£000
Long-term investments held at 31 March		
CDCM Investment Fund	5,113	0
In-house managed funds	10,125	10,570
	15,238	10,570

Most long term surplus cash held in the Council's reserves was invested through the services of the external fund manager CDCM, however the Authority temporarily invested £10m for 4 to 5 years when it borrowed £10m from the Public Works Loans Board (PWLB) in anticipation of its need to borrow to finance capital expenditure.

As funds managed by CDCM mature they are being brought into the in-house portfolio; as at 31 March 2010 the short-term funds with CDCM totalled £5.1m. Monies required to meet the Council's cash flow requirements over the next year are managed in-house, and at the year-end amounted to £5m.

The funds managed by CDCM and in-house are all invested in cash instruments. The interest rate risk exposure resulting from these investments is minimal because all the investments are at fixed rates

Other long-term investments at 31 March 2010 include £0.4m invested with Chancery bank, which is all converted to share capital as a consequence of financial restructuring of the Bank. Because it is in administration, an equal provision is made against losses and there is little likelihood of the recovery of the monies

18. Long-term Debtors

	Balance 1.4.09 £000	Repayments/ new advances £000	Revaluation/ Gain/-loss £000	Balance 31.3.10 £000
Loans – St Neots Town Council	106	-10		96
Housing advances	596	-23		573
House improvement loans	479	33	19	531
House mortgages	25	-5		20
Tenants' rental deposits	0	215	-4	211
Employee loans	44	67		111
	1,250	277	15	1,542

19. Debtors

	31.3.09 £000 (Restated)	31.3.10 £000
Amounts falling due in one year:		
Government Departments	2,055	1,567
NNDR National Pool (creditor 2008/09)	0	5,087
Public Authorities	1,728	3,654
Local taxation	1,194	197
NNDR payers	916	0
General debtors	2,460	3,351
Total debtors	8,353	13,856
Less provision for bad debts		
Local Taxation	-181	-76
General Debtors	-310	-236
Other	-451	-1,565
	-942	-1,877
Net Position	7,411	11,979

20. Stock

	31.3.09 £000 (Restated)	31.3.10 £000
Leisure Centres	63	55
Diesel	10	37
Printing	36	24
Refuse sacks	20	18
Other	41	55
	170	189

21. Creditors

	31.3.09 £000 (Restated)	31.3.10 £000
Government Departments	1,717	1,007
Public Authorities	1,351	1,260
Leisure Centre Management Committees	158	0
Other	5,268	5,066
	8,494	7,333

22. Long term Borrowing

The Council has borrowed £10m from the Public Works Loans Board (PWLB). The Balance Sheet figure includes accrued interest of £110k

In 2009/10 the Council introduced a scheme whereby Parish Councils could invest their surplus funds with the Authority. These are treated as long-term loans in the balance sheet, but total just £100k as at the balance sheet date

23. Reserves

The Council maintains 7 types of reserves, some are available to meet expenditure and others are not:

Available to fund expenditure

- The Capital Reserve represents the balance of capital receipts and capital contributions that are available to finance capital expenditure.
- Earmarked reserves are available to finance expenditure for specified purposes.
- General Fund balance is available to finance any revenue or capital expenditure.

Not available to fund expenditure

- The Revaluation Reserve and the Capital Adjustment Account relate to the requirements of the capital accounting rules.

- Financial Instruments Adjustment Account represents the difference in the carrying value of home improvement loans and the fair value taking into account the loss of interest due to the loans being interest-free.
- Collection Fund Adjustment Account is a new account in 2009/10 that accounts for the difference between the income from council tax included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pension Fund Liability represents the balance on the pension fund, which is an accounting entry to meet the requirements of FRS17.

24. Capital Adjustment Account

	2008/09		2009/10	
	£000	£000	£000	£000
Balance as at 1st April		70,163		61,506
Financing of capital expenditure				
Capital receipts	16,433		823	
External grants & contributions	<u>3,082</u>	19,515	<u>3,070</u>	3,893
Minimum revenue provision	0		3	
Provision for depreciation	-3,736		-3,656	
Deferred charges and debtors	-5,420		-4,409	
Commutation adjustment	-102		-17	
Impairment	-18,872		-5,973	
Disposal	<u>-42</u>	-28,172	<u>-196</u>	-14,248
Balance as at 31st March		61,506		51,151

25. Revaluation Reserve

	2008/09	2009/10
	£000	£000
Balance as at 1st April	942	8,543
Surplus on revaluation	7,601	-680
Balance as at 31st March	8,543	7,863

All land and buildings have been revalued as a result of the 5 yearly full valuation. The most significant gains have been in the following areas - Leisure Centres, £4.3m; £1.1m for investment properties (industrial and commercial units) and £0.8m for car parks.

26. Financial Instruments Adjustment Account

	2008/09	2009/10
		£000
	£000	
Balance as at 1st April	-173	-214
Adjustment for fair value of private sector housing improvement loans	-41	19
Adjustment for fair value of rental deposits given as loans to tenants	0	-4
Balance as at 31st March	-214	-199

27. Capital Reserve (Usable Capital Receipts and Capital Contributions)

	2008/09		2009/10	
	£000	£000	£000	£000
Balance as at 1st April		16,023		72
Receipts				
Sale of Council houses	240		593	
Sale of land and other buildings	165		155	
Disposal of vehicles	0		15	
Repayment of loans	34		33	
Improvement grants	43		27	
Non-specified investments	0	482		823
Receipts applied during the year		<u>-16,433</u>	<u>-895</u>	<u>-895</u>
Balance as at 31st March		72		0

28. Revenue Reserves

	Balance 1.4.09 (Restated) £000	Movement £000	Balance 31.3.10 £000
Earmarked reserves:			
S106 agreements	1,154	97	1,251
Commutted S106 payments reserve	1,199	-60	1,139
Repairs and renewals funds	1,204	-24	1,180
Delayed projects reserve	274	96	370
Special spending reserve	0	1,913	1,913
Other reserves	272	12	284
	4,103	2,034	6,137
Collection Fund	23	-23	0
	4,126	2,011	6,137
General fund balance	19,319	-3,758	15,561

29. Pensions Scheme Liability and Pensions Reserve

	Balance 1.4.09 £000	Movement £000	Balance 31.3.10 £000
Pensions Reserve	-29,716	-38,331	-68,047

Details included in Pensions section page 49

30. Contingent Assets and Liabilities

Contingent Assets

1. A claim for recovery of tax has been made to the HMRC as the result of a Court of Appeal judgement which allowed claims for VAT refunds to be made back to 1973, when VAT was introduced. The judgement related to income where the treatment of VAT was corrected by HMRC from 1996 but for which they argued there was no entitlement to reclaims pre-1996. Whilst some sums were paid in 2009/10 there is an outstanding claim of £320k which is dependent on a legal judgement on a similar case.

There is a separate legal challenge relating to whether interest would be simple or compound. It is unlikely that a judgment will be made in the next financial year.

2. Claims have been made for the refund of VAT relating to off-street parking but whilst legal cases have not totally removed the possibility of a refund the position is now much less hopeful.

Contingent liabilities

1. Following the transfer of the Council's housing stock to Huntingdonshire Housing Partnership in 2000 the Council bears continuing unlimited liability in two respects:
 - Necessary associated sewer maintenance in excess of £65k p.a.
 - Environmental pollution arising on the land transferred, though an insurance policy is in place to cover the majority of any liability.
2. The Council's insurer was MMI until 1993 and it is still liable for claims relating to the period when it insured the Council. The Council has entered a Scheme of Arrangement whereby MMI could claw back the claims payments made since 30 September 1993, should MMI become insolvent. As at 31 March 2010 the maximum clawback is £601k.
3. The Authority has settled a claim for negligence from an ex-employee. There is a dispute between two insurance companies that covered the Council during the relevant periods over which is liable to meet this claim. The dispute was

heard by the High Court and as a result the Council has received a payment from one insurance company of £200k. However, the company has appealed the decision and whilst there is a realistic prospect that the original decision will be upheld, the Court of Appeal or the House of Lords might reverse the decision. The Council would then have to repay the monies but there is a reasonable possibility that the other insurance company would then become liable.

4. The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. It is not yet clear whether any financial liability will fall on the Council.
5. The appellants in respect of the former RAF Upwood planning appeal have made a full costs claim against the Council. Whilst it is hoped that this claim will be unsuccessful, the decision as to whether costs may be awarded, is totally outside the control of the Council.

31. Financial Instruments

Financial instruments by category

The financial assets and liabilities included on the balance sheet comprise the following categories of financial instruments

31 March 2009		31 March 2010
£000		£000
	Financial assets by class	
	<i>Loans and receivables</i>	
7,398	Debtors due within one year	12,038
1,283	Debtors due after one year	1,542
15,238	Long-term investments	10,570
27,927	Short-term investments	10,124
687	Cash and equivalents	1,394
<u>52,533</u>	<i>Total loans and equivalents</i>	<u>35,668</u>
52,533	Total financial assets	35,668
	Financial liabilities by class	
	<i>Other liabilities at amortised cost</i>	
-10,110	Long-term liability at fixed rate of interest	-10,110
-8,263	Creditors payable within one year	-7,355
-6,000	Short-term liability at fixed rate of interest	-4,500
-1,879	Bank overdrafts	-1,307
<u>-26,252</u>	<i>Total other liabilities at amortised cost</i>	<u>-23,272</u>
-26,252	Total financial liabilities	-23,272

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates has been used to calculate the fair value of private sector housing improvements loans
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values of the Council's financial instruments, together with the carrying amounts included on the balance sheet are analysed as follows:

31 March 2009			31 March 2010	
Carrying amount	Fair value		Carrying amount	Fair value
£000s	£000s		£000s	£000s
		Financial assets		
		<i>Loans and receivables</i>		
8,681	8,471	Total debtors	13,580	13,431
43,165	41,763	Total investments	20,694	21,039
687	687	Cash and equivalents	1,394	1,394
52,533	50,921	Total	35,668	35,864
		Financial liabilities by class		
		<i>Other liabilities at amortised cost</i>		
-10,110	-9,757	Long-term loan	-10,110	-9,757
-8,263	-8,263	Total creditors	-7,355	-7,355
-6,000	-6,000	Short-term loans	-4,500	-4,500
-1,879	-1,879	Bank overdrafts	-1,307	-1,307
-26,252	-25,899	Total	-23,272	-22,919

Nature and extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay sums due
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council’s customers.

In relation to investments the Authority has adopted CIPFA’s *Code of Practice on Treasury Management in the Public Services*, has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA’s Prudential Code. These documents address the risks associated with investments.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date. There are no investments that as at 31 March 2010 were with institutions that had failed.

In relation to the sums owed by the Council’s customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

Liquidity risk

A substantial proportion of its investments are short-term deposits which mature within a year. In addition, as the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The PWLB loan has the following maturity profile:

£000	Date borrowed	Repayment date
5,000	19 Dec 2008	19 Dec 2057
5,000	19 Dec 2008	19 Dec 2058

Market risk

The Authority has minimal exposure to market risk because its investments and loans are at fixed rates of interest.

Price risk and foreign exchange risk are not applicable.

32. Authorised for issue (to be completed in September 2010)

The audited Statement of Accounts were authorised for issue by the Director of Commerce and Technology on *insert date of September CGP meeting* This is the date up to which events after the balance sheet date have been considered.

Notes to the Cash Flow Statement

33. 2008/09 Restated Cash Flow Statement

The 2008/09 Cash Flow Statement has been restated for the impact of changes relating to the Collection Fund.

34. Reconciliation of the net deficit on the Income and Expenditure Account to the movement in cash on revenue activities

	2008/09 restated		2009/10	
	£000	£000	£000	£000
Net revenue activities cash flow		961		-2,491
Net interest received	-2,491		-1,044	
Depreciation	3,736		3,654	
Impairment	18,873		5,974	
Capital grants and adjustments for soft loans	-32		-15	
Transfer to earmarked reserves			2,122	
Pensions appropriation	1,426		886	
Surplus on sale of fixed assets	-365		-567	
Housing capital receipts pool	6		0	
Reduction in long term investments			5,000	
Changes in:				
Creditors	4,921		-454	
Debtors	-209		-26	
Stock	27		-18	
		25,892		15,512
Income and Expenditure Account deficit		26,853		13,021

35. Reconciliation of net cash flow to the movement in net funds

	1.4.09 £000 (Restated)	Movement £000	31.3.10 £000
Cash in hand	791	603	1,394
Cash overdrawn	-1,879	573	-1,306
Short-term borrowing	-6,000	1,500	-4,500
Short-term investments	27,926	-17,802	10,124
Amounts Relating to Council Tax and NNDR	-608	6,737	6,129
	20,230	-8,389	11,841

36. Analysis of change in the management of liquid resources and financing

	1.4.09 £000	Movement £000	31.3.10 £000
Short-term borrowing	-6,000	1,500	-4,500
Short-term investments	27,926	-17,802	10,124
	21,926	-16,302	5,624

Liquid resources are loans and investments of less than 1 year which are used to manage the cash flow of the Authority. The increase in short-term investments is due to the cash requirements of the Council and is reflected in a decrease in long-term investments. The short-term borrowing was a temporary position as at 31 March 2010 before the Council collected council tax instalments in April 2010.

37. Analysis of Government Grants

	2008/09		2009/10	
	£000	£000	£000	£000
Revenue support grant		1,486		2,358
Benefits grants:				
Council tax benefits	6,382		7,456	
Rent allowances	24,287	30,669	29,872	37,328
Other:				
Local Authority Business Growth Incentive Grant	150		112	
Other capital grants	1,182		725	
Benefits administration	891		1,010	
Other	1,048	3,271	1,755	3,602
		35,426		43,288

Collection Fund

2008/09			2009/10		
£000	£000		Note	£000	£000
INCOME					
-72,950		Council Tax before transfers	5	-75,853	
		Transfers from General Fund			
-6,327		- Council Tax benefits		-7,394	
-1		- Transitional relief		-1	
-50,843		- Income from business ratepayers	6	-51,368	
-212		Contribution towards previous years Collection Fund deficit		0	
	-130,333				-134,616
EXPENDITURE					
79,194		Precepts and demands	4	82,709	
		Business rate			
50,617		- Payment to national pool		51,140	
226		- Costs of collection		228	
		Bad and doubtful debts/appeals			
49		- Write-offs		162	
300		- Provisions		105	
0		Contribution towards previous years estimated collection fund surplus		375	
	130,386				134,719
MOVEMENT ON FUND BALANCE					
-163		Fund balance as at 1 April		-110	
-110		Fund balance as at 31 March		-7	
	53	Movement on fund balance for year			103

Notes to the Collection Fund

1. Huntingdonshire District Council is a billing authority responsible for collecting Council Tax and NNDR in its area for itself, for major preceptors (the County Council, Police Authority and Fire Authority) and NNDR for Central Government.

Following national consideration of the role performed by billing authorities, it has been confirmed that they act as agent when collecting tax for major preceptors. The Collection Fund is presented in a new format to reflect this change in recommended practice. The accounts for 2008/9 have been restated accordingly.

2. Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General fund before being paid to the Parish or Town Council.

Interest is not payable/chargeable to the Collection fund on cash flow variations between it and the General Fund.

3. There is no requirement for a separate Collection Fund balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between Huntingdonshire District Council and the major preceptors in proportion to their demand on the fund for the coming year. The major preceptors share of the assets and liabilities of the Collection Fund are shown as a debtor in Huntingdonshire District Council's accounts. Huntingdonshire District Council's share of the assets and liabilities are in the Collection Fund Adjustment Account reserve.

4. Precepts and demands

The following authorities made a precept or demand that was greater than £250k

	2008/09	2009/10
	£000	£000
Cambridgeshire County Council	56,578	58,961
Cambridgeshire Police Authority	9,065	9,546
Cambridgeshire Fire Authority	3,146	3,265
Huntingdonshire District Council-General Expenses	6,668	7,022
Huntingdonshire District Council-Parish Precepts	3,737	3,915
	<u>79,194</u>	<u>82,709</u>
Included in the Parish Precepts figure above:		
St Neots Town Council	760	804
Huntingdon Town Council	597	657
St Ives Town Council	480	506

5. Council Tax

Taxbase at 31 March 2010				
Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,174	2,100	6/9	6,046
B	18,495	2,477	7/9	12,459
C	16,910	1,752	8/9	13,474
D	11,084	1,009	9/9	10,075
E	8,272	721	11/9	9,229
F	3,367	294	13/9	4,439
G	1,618	134	15/9	2,474
H	147	23	18/9	249
Total	71,067			58,445

	2008/09	2009/10
Council tax charge per band D property	1,370	1,427
Actual taxbase used (Band D equivalent)	57,846	58,338
Estimated taxbase	57,785	57,960

6. National Non-domestic Rates (NNDR)

The uniform business rate set by the Government for 2009/10 was 48.5p (2008/09 46.2p).

Total ratable value at 31 March 2009 £124.5m

Total ratable value at 31 March 2010 £124.9m

Pension Costs, Assets and Liabilities

This section provides information about the Council's assets, liabilities, income and expenditure related to The Local Government Pension Scheme in relation to its employees.

1 Introduction

This statement is in accordance with the Pension SORP 'The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2008), which takes account of the latest relevant Financial Reporting Standards (FRS26 & FRS27), and FRS17.

2 The Pension Scheme

Employees of Huntingdonshire District Council may participate in the Cambridgeshire County Council Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

The cost of retirement benefits recognised in the Net Cost of Services is the full value of benefits earned by employees, rather than costs of benefits paid out as pensions each year. The authority and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets.

3 Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2009/10 was determined on the basis of contribution rates set in the valuation on 31 March 2007. This valuation of the Pension Fund concluded that to meet future estimated liabilities higher rates were required: 16.3% (from 1 April 2008), 18.4% (from 1 April 2009) and 20.4% (from 1 April 2010) in accordance with Government regulations.

Due to reduced returns, the revised contribution rates are not adequate to cover 100% of the liabilities and these notes outline the latest position according to the fund actuary.

4. Transactions relating to Retirement Benefits

Whilst the Net Cost of Services takes account of the cost of retirement benefits accruing to employees, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account, and the Statement of Movement in the General fund Balance during the year:

5. Income and Expenditure Account

	2008/09 £000	2009/10 £000
Net Cost of Services:		
Current Service Cost	2,226	1,897
Past Service Costs	894	0
Losses on Settlements and Curtailments	9	14
Net Operating Expenditure:		
Interest Cost	6,185	6,036
Expected Return on Scheme Assets	-4,986	-3,684
Net Charge to the Income and Expenditure Account	4,328	4,263
Actual Return on Plan Assets	-13,510	18,966
Statement of Movement in the General Fund Balance:		
Reversal of net charges made for retirement benefits in accordance with FRS17	-4,328	-4,263
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employer's contributions to the scheme	2,902	3,377

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £37.445m (£9.634m actuarial losses 2008/09) were included in the Statement of Total Recognised Gains and Losses (see table below). The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses being £51.964m.

6. Amount recognised in the Statement of Total Recognised Gains and Losses

	31 March 2009	31 March 2010
	£000	£000
Actuarial Gains/-Losses	-9,634	-37,445
Cumulative Actuarial Gains/-Losses	-14,519	-51,964

7. Assets and Liabilities in relation to pension fund

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

	31 March 2009 £000	31 March 2010 £000
Opening liability	89,097	87,593
Current service cost	2,226	1,897
Interest Cost	6,185	6,036
Contributions by members of scheme	1,093	1,124
Actuarial losses/-gains	-8,799	52,727
Estimated benefits paid	-2,930	-3,056
Estimated unfunded benefits paid	-182	-202
Past service costs	894	0
Losses/-gains on curtailments	9	14
Closing liability	87,593	146,133

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

	31 March 2009 £000	31 March 2010 £000
Opening fair value of assets	70,441	57,877
Expected return on assets	4,986	3,684
Actuarial losses/-gains	-18,433	15,282
Contributions by the employer	2,720	3,175
Contributions by members of scheme	1,093	1,124
Contributions re unfunded benefits	182	202
Benefits paid	-2,930	-3,056
Unfunded Benefits paid	-182	-202
Closing fair value of assets	57,877	78,086

Asset values are at bid value as required by FRS17.

8. Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities	-99,686	-99,622	-89,097	-87,593	-146,133
Fair value of assets	69,964	75,559	70,441	57,877	78,086
Surplus/-Deficit	-29,722	-24,063	-18,656	-29,716	-68,047
Experience gains/- losses on liabilities	-118	281	816	229	-533
Above, as percentage of present value of liabilities	0.12%	-0.28%	-0.92%	-0.26%	0.36%
Experience gains/- losses on assets	9,996	722	-10,626	-18,433	15,282
Above, as percentage of fair value of assets	14.29%	0.96%	-15.08%	-31.85%	19.57%

The impact on the Council's assets and liabilities, as stated above, has been incorporated in the Council's Financial Accounts.

The net pension liability shows the underlying commitment that the authority has in the long term to pay retirement benefits. Statutory arrangements for funding the deficit ensure that contributions will be adjusted over the remaining working life of employees to meet the liabilities, as assessed by the scheme actuary.

The Council expects to contribute £3.481m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2011.

9. Basis for estimating Liabilities and Assets

The estimates, for the purposes of FRS17, have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Fund.

Liabilities are based on the latest formal valuation as at 31 March 2007, and rolled forward, assessed on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund, dependent on assumptions about mortality rates, salary levels etc. discounted to their present value as at 31 March 2010.

The main assumptions used by the actuary in the Pension Fund calculations are as shown below.

County Fund – Main Assumptions		2008/09	2009/10
Rate of inflation		3.1%	3.8%
Rate of increase in salaries		4.6%	5.3%
Rate of increase in pensions		3.1%	3.8%
Rate of discounting scheme liabilities		6.9%	5.5%
<i>Mortality</i>			
Longevity at 65 for current pensioners			
Men		19.6 years	20.8 years
Women		22.5 years	24.1 years
Longevity at 65 for future pensioners			
Men		20.7 years	22.3 years
Women		23.6 years	25.7 years
<i>Expected long-term rate of return on assets</i>			
Equity Investments		7.0%	7.8%
Bonds		5.6%	5.0%
Property		4.9%	5.8%
Cash		4.0%	4.8%
Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%	25%
	For post-April 2008 service	25%	63%

In accordance with CIPFA guidance the discount rate employed for the 2009/10 financial year is the return available on long-dated, high quality corporate bonds at the FRS17 valuation date.

Pension fund assets are valued at fair value, principally market value for investments, but using the bid price rather than mid-market value, in accordance with latest financial instruments. The table below shows the mix of assets held and the expected rate of return for each category of asset. Actuarial advice on expected return on assets is based on long-term future expected investment return for each asset class as at 31 March 2009 (or date of joining the fund, if later).

	Proportion of Total assets held by the Fund	
	31 March 2009	31 March 2010
Equity Investments	64%	72%
Bonds	17%	15%
Property	10%	8%
Cash	9%	5%
Total Fund Assets	100%	100%

11 Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP

CORPORATE GOVERNANCE PANEL

30 JUNE 2010

**EXTERNAL AUDIT - PROGRESS REPORT
(Report by the Head of Financial Services)**

1. Purpose

- 1.1 To receive a progress report from the Council's external auditors explaining the current situation with regard to the Use of Resources assessment and the audit of the Financial Statements for 2009/10.

2. Recommendation

- 2.1 It is recommended that the Panel note the report.

ACCESS TO INFORMATION ACT 1985

None

Contact Officer: Steve Couper, Head of Financial Services ☎ **01480 388103**

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Huntingdonshire District Council

Corporate Governance Panel – 30 June 2010 External audit progress report -2009/10 audit

Use of Resources

Following the cessation of the Comprehensive Area Assessment, the Audit Commission wrote to the Council to clarify how this work will be concluded for 2009/10. In respect of the Use of Resources assessment, key points are:

- there will be no score issued for 2009/10 in respect of the use of resources assessment.
- in line with the statutory Code of Audit Practice we are required to give a value for money conclusion alongside our financial statements opinion. We will complete the work considered necessary to enable us to provide this conclusion and we will rely on the work that we have completed to date on the use of resources conclusion to support this opinion.
- we will issue the Council with a report detailing the findings of the work that we completed in respect of the assessment, however, this report will not include any scores.
- we will report any significant findings from our use of resources work in our Annual Audit Letter; however, we will not be reporting a score in the letter.

The Audit Commission is in the process of reviewing the approach that auditors will take in the future to the value for money conclusion from 2010/11.

The Audit Commission has also advised that as the vast majority of the work required for the use of resources of assessment has already been completed and work to support the value for money conclusion still needs to be completed there will be no impact on the audit fees in 2009/10.

Audit of the Financial Statements

Our audit of the financial statements will commence on 2 August. We will continue to work with the Council to prepare for the audit up until this time. We have issued the Council with an audit arrangements letter which outlines our working paper requirements. Prior to the commencement of the audit, we will issue an Audit Approach Memorandum which will outline the key risk areas that we have identified in our work to date and how we will plan our work to address these risks.

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**INTERNAL AUDIT SERVICE:
TERMS OF REFERENCE & INTERNAL AUDIT STRATEGY
(Report by the Audit & Risk Manager)**

1. Introduction

- 1.1 The terms of reference and strategy documents for Internal Audit were last approved by the Panel in March 2007. The strategy covered the period to March 2010. It has been reviewed and amended where necessary and is attached for approval.
- 1.2 Whilst reviewing the strategy a review of the Terms of Reference for internal audit has also been undertaken. The CIPFA Code of Practice for Internal Audit 2006 (Code) requires that the Terms of Reference are formally approved by the Panel.
- 1.3 CIPFA have prepared, and are currently consulting on a document entitled "Statement on the Role of the Head of Internal Audit in Public Sector Organisations". A copy of the consultation paper has been obtained and considered during the review of both documents. The Statement sets out what CIPFA considers to be best practice for the delivery of an internal audit service. Unlike the Code, it is guidance only and does not have 'proper practice' status.

2. Changes Proposed

- 2.1 The main changes made to the terms of reference and audit strategy are listed below for ease of reference.

Terms of Reference

- Replacement of the requirement to **annually** review whether the Internal Audit Service is compliant with the Code of Practice with a requirement that the Director of Commerce & Technology ensure that periodic reviews are undertaken and report these findings to the Corporate Governance Panel. This includes an external review every 5 years.
(Panel agreed in March 2009 that due to introduction of the assurance framework, an annual review of the Internal Audit Service was not required).
- Addition of a requirement to consider the significant risks and opportunities facing the service.

Internal Audit Strategy

- Strategic audit planning shall take account of the areas of assurance identified by the Panel at its March 2009 meeting and the associated framework of assurance.
- Acknowledgement that the annual audit plan shall run from August to July to coincide with the governance reporting timetable.

- Amending the timescale for the presentation of the annual audit report, to coincide with the review and adoption of the annual governance statement.
- The Audit & Risk Managers involvement in considering the effectiveness of the Council's system of internal audit and annual governance statement.
- Similar to the Terms of Reference, the requirement for an annual review of the internal audit service has been omitted. To meet the requirements of the "Statement", a 5 yearly external review of the service, commencing March 2011, has been included.

3. Compliance with the Code

- 3.1 It is a requirement of the Code that any element of non-compliance is highlighted and reported to the Panel, together with any safeguards or measures that have been introduced to mitigate this. There is one area in which this applies.
- 3.2 The code expects the Audit & Risk Manager to be directly line-managed by a member of the Corporate Management Team. In the Director of Commerce & Technology's opinion, it is an advantage to the Internal Audit service to have the benefit of the added level of management and expertise accorded by it reporting to the Head of Financial Services. To mitigate any disadvantage that this might create the independence of the Audit & Risk Manager is assured by him having the right of access to the Director of Commerce & Technology whenever he considers it appropriate. This is reflected in the Audit Strategy.

4. Recommendation

- 4.1 It is recommended that the Panel approve the Internal Audit terms of reference and strategy.

ACCESS TO INFORMATION ACT 1985

CIPFA Code of Audit Practice 2006

Accounts & Audit Regulations 2003 (as amended)

Consultation draft May 2010 – The Role of the Head of Internal Audit

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**



**Internal Audit Service
Terms of Reference**

INTERNAL AUDIT SERVICE TERMS OF REFERENCE

Statutory Requirements

The Accounts & Audit Regulations 2003¹ require the Council to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices”.

“Proper practice” is contained in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code of Practice).

Director of Commerce & Technology

The Director of Commerce & Technology (the Director) is the officer responsible for maintaining an internal audit service.

Effective reporting and managerial arrangements will be established between the Director and the Audit & Risk Manager.

The Director will ensure that periodic reviews of whether the service meets the requirements of the Code of Practice are undertaken and report these findings to the Corporate Governance Panel. These will include an external review at least every 5 years.

Definition and Role of Internal Audit

Internal Audit is an assurance service with the primary aim of providing an independent and objective opinion to the Council on the overall adequacy of the Council’s control environment. It will objectively examine, evaluate and report on the effectiveness of the control environment to ensure the correct balance between propriety and cost effectiveness in achieving the Council’s objectives.

The Code of Financial Management shall contain a statement explaining Internal Audit’s responsibilities.

Responsibility for the management of services rests fully with Directors and their managers³. This includes ensuring value for money, minimising the risk of services not being delivered and reducing the opportunities for theft, fraud and corruption by ensuring that appropriate and adequate risk and control arrangements exist. Internal Audit compliments this by providing an expert and independent appraisal function to help managers determine the adequacy of their internal control, risk management and governance processes.

Internal Audit Responsibility

In order to fulfil its role the Internal Audit Service shall:

- Prepare a strategy document explaining how the service will be delivered which will include an explanation of the assessment of resources required.
- Undertake reviews that focus on the areas of greatest risk to the Council.
- Have the authority and right of access to all relevant records, assets, personnel and premises, including those of partner organisations, that it considers necessary to fulfil its responsibilities.
- Report to the Corporate Governance Panel on the matters referred to in the Code of Practice.

¹ Including the Accounts & Audit (Amendment)(Regulations) 2006

³ Code of Financial Management: paragraph 1.11

- Provide clear reports that provide management with an opinion on the soundness, adequacy and application of internal controls.
- Enhance efficient and effective risk and control management by recommending cost effective controls which aim to improve service delivery whilst avoiding or minimising operational losses.
- Provide an annual opinion to the Chief Officers' Management Team, timed to coincide with the preparation of the Annual Statement of Assurance on Corporate Governance, on the soundness of the systems of internal control and the internal control environment.
- Provide advice and training on the management of risk and on issues surrounding the design, implementation and operation of systems of internal control.
- Contribute to the general management and conduct of business through provision of expertise on appropriate working groups and participation in ad-hoc exercises, including value for money, best value or consultancy studies.
- Have in place arrangements that ensure that it is notified of all suspected or detected instances of fraud, corruption or impropriety. Investigate and report upon all (non-benefit related) frauds and irregularities in accordance with documented procedures. (The Head of Revenue Services is responsible for investigating benefit related fraud).

Independence

The Audit & Risk Manager is responsible for the delivery of the Internal Audit, Insurance and Risk Management services. All three areas have a key part to play in mitigating the risks facing the Council. Responsibility for these operational areas is recognised by the Director of Commerce & Technology and the Corporate Governance Panel, together with the possibility that occasionally these responsibilities could, unless specifically addressed, compromise the operational independence of the Internal Audit Service.

Therefore, clear separation and divisions of duty will be established by the Audit & Risk Manager to ensure that the Internal Audit staff who have been involved in dealing with risk management operational matters do not undertake audit reviews within this area.

Apart from the areas of risk management and insurance, the Internal Audit Service shall not be responsible for the operation of any systems which could compromise its independence. It will however proactively offer advice and guidance on risk and internal control implications arising from planned or proposed changes to, or development of, systems or services.

The Audit & Risk Manager be responsible for the content of the annual audit plan and shall have direct access to, and freedom to report in his own name and without fear or favour to, all Officers and Members.

Audit Management

The Council shall appoint an Audit & Risk Manager who will be required to determine the priorities of, deliver, and manage the Internal Audit Service for the Council. In discharging these duties the Audit & Risk Manager will:

- Ensure that he has a comprehensive understanding of the Council's systems, structures and operations so allowing for, after consulting with senior management, the preparation of a strategic risk based audit plan

- Update the plan regularly to reflect changes in Council priorities and risk registers
- Translate the strategic plan into annual plans for formal agreement with the Director of Commerce & Technology
- Ensure that an audit brief is prepared for each individual audit assignment undertaken, setting out the scope and objectives of the work, timescales and reporting arrangements
- Ensure that all audit work is completed to high standards and in accordance with appropriate professional standards
- Maintain an internal audit manual that describes the standards, practices and procedures that are required to be met by internal audit staff and contractors
- Undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided
- Establish effective relationships with managers at all levels
- Proactively work with the External Auditor to ensure that audit resources are used in the most effective and efficient manner
- Monitor the effectiveness of the service delivered and compliance with professional and ethical standards.

Audit Reporting

At the completion of an audit assignment a written report will be agreed with the appropriate manager. The report shall contain an opinion on the adequacy of the risk management and internal control arrangements within the area of review and, where necessary, list the actions for improvements. If the manager and auditor cannot reach consensus then the appropriate Director(s) will resolve the issue.

Copies of all final audit reports shall be sent to the Director of Commerce & Technology and, when requested, the External Auditor. Electronic copies will be made available to Members via the intranet.

The Audit & Risk Manager shall report to the Corporate Governance Panel any probity issues that arise, either directly from an audit or via an investigation into a fraud related matter, following the conclusion of his review.

Implementation of Agreed Audit Actions

The Audit & Risk Manager shall regularly review the progress made by managers in introducing the agreed actions and shall report quarterly to each Director on the actions taken. Each Director shall take appropriate action to ensure that agreed actions are implemented.

Risk Management

The Audit & Risk Manager shall regularly consider the significant risks and opportunities relating to the delivery of the Terms of Reference and Audit Strategy and shall update the risk register accordingly.

Corporate Governance Panel

The Audit & Risk Manager shall present an annual and interim report to the Panel that meets the requirements of the Code of the Practice. The annual report shall be timed to support the Council's Annual Statement of Assurance on Corporate Governance and include an opinion on the overall adequacy and effectiveness of the control environment.

The Audit & Risk Manager shall have the right to report to the Panel and attend all of its meetings.

The Audit & Risk Manager will have the right , if he feels it is necessary, to meet with the Chairman of the Corporate Governance Panel and/or the relevant Portfolio Holder to discuss any matters or concerns that have arisen from internal audit work.

Professional & Ethical Standards

The objectivity, impartiality, integrity and conduct of all Internal Audit staff must be above reproach at all times.

All Internal Audit staff shall comply with the ethical standards contained in the *Code of Practice* and those professional and ethical standards issued by the professional body to which they belong. They shall also comply with the Council's own codes and ethical standards.



Internal Audit Strategy

2010 - 2013

Internal Audit Strategy 2010- 2013

Introduction

This document sets out the Council's Internal Audit Strategy for the period to March 2013. It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council and meet the requirements of its terms of reference in a way that will allow it to:

- provide an opinion on the internal control environment⁴ to support the completion of the Annual Statement of Assurance on Corporate Governance which incorporates those internal control aspects required by the Accounts and Audit Regulations 2003⁵;
- prepare audit plans that give suitable priority to the Council's objectives and key risks and concentrate resources on areas that have been identified as being the most vulnerable;
- agree actions with managers at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks being faced;
- identify the audit resources required to deliver an audit service that meets required professional standards; and
- provide regular reports to the Corporate Governance Panel.

CIPFA Code of Audit Practice

The Audit & Risk Manager shall ensure that the standards contained within the CIPFA Code of Audit Practice shall be applied to the work of the Internal Audit Service. Any standards that cannot be complied with in full shall be discussed with the Director of Commerce and Technology, as the Council's "Chief Financial Officer", and agreement reached as to the alternatives to be accepted. Substantial differences shall be reported to the Corporate Governance Panel.

Corporate Governance Panel

The Council has established the Corporate Governance Panel. The Panel will undertake the functions of an "Audit Committee", as detailed in Standard 4 of the Code of Audit Practice by receiving information on or approving the:

- terms of reference for Internal Audit
- Internal Audit strategy
- resourcing of Internal Audit
- periodic plans of Internal Audit, progress in achieving them, significant matters that may jeopardise its delivery, any material changes made including implications arising from audit report findings and opinions.
- adequacy of management response to Internal Audit advice and recommendations
- Audit & Risk Manager's annual report
- arrangements for and the results of quality assurance and performance management processes
- arrangements made for co-operation between Internal Audit, External Audit and other review bodies.

⁴ The control environment comprises risk management, control and governance processes. Further information is available in the [glossary](#).

⁵ As amended by the Accounts & Audit (Amendment)(England) Regulations 2006

Audit Needs Assessments and Strategic Planning

An Audit Needs Assessment (ANA) shall be prepared by the Audit and Risk Manager. This shall be closely aligned to providing assurance for the eleven areas agreed by the Corporate Governance Panel in March 2009 and the associated framework of assurance that has been adopted.

All internal audit work undertaken shall follow the risk based systematic approach⁶.

The ANA shall determine the relative importance of the risks identified, the frequency with which each risk should be audited, and the anticipated resources required to audit those risks.

A four year strategic plan based upon the ANA shall be prepared. The strategic plan shall initially be determined without regard to any constraints (such as the staff resources available). The number of days allocated to audit areas in the strategic plan shall be the Audit & Risk Manager's best estimate based upon the risk priorities, the scope of the audit and previous audits carried out.

If after allocating resources to audits a shortfall of resources occurs over the four year strategic plan period, then the Audit & Risk Manager shall discuss the shortfall with the Director of Commerce & Technology. The Audit & Risk Manager will report annually, to the Corporate Governance Panel the consequences of the shortfall (reduced frequency of audit coverage, the increase in risk that this may bring, and the robustness of the Audit & Risk Manager's annual internal control opinion). The Panel shall recommend to Cabinet whether or not to accept the consequences identified or request an increase in Internal Audit's resources.

The Audit & Risk Manager shall consult service managers every six months to ensure that the ANA and strategic audit plan appropriately reflects the current operational, financial and business risks facing the Council and risks arising from national initiatives or developments.

The Audit & Risk Manager shall determine, after taking into account the level of resources available, the audit coverage over the four year period. This decision will have regard to the Council's responsibilities under the Accounts and Audit Regulations 2003, and the expectations placed upon Internal Audit by the external auditors and other outside organisations.

Risk Registers & Assurance Frameworks

The Audit & Risk Manager has responsibility for the development of the Council's risk management processes, including the risk registers, and as such is able to rely on them, together with his own assessments, for compiling the ANA.

The Council continues to implement its assurance framework in support of the Annual Statement of Assurance on Corporate Governance. The framework identifies and records the risks and barriers to successful service delivery and achievement of the Council's objectives.

If at any time the Audit & Risk Manager believes that the risk register or assurance framework is not fit for purpose he shall undertake such additional work as he considers necessary to prepare the ANA.

⁶ See [glossary](#)

Annual Audit Opinion

Each year the Audit & Risk Manager will provide his opinion on the effectiveness of the internal control environment to the Chief Officers' Management Team and the Corporate Governance Panel. It will be influenced by the individual opinions provided for each piece of audit work undertaken and the progress made by managers in implementing previously agreed actions.

The opinion shall be supported by sufficient, reliable and relevant evidence.

Annual Audit Plan

The strategic audit plan shall be used to prepare annual audit plans. Annual audit plans shall be prepared to align with the Council's governance reporting timetable.

After consulting with the Chief Officers' Management Team, Directorate Management Teams and the Corporate Governance Panel the Audit & Risk Manager shall prepare/amend the annual audit plan as he feels necessary. Ownership of the annual plan rests with the Audit & Risk Manager although it shall be formally agreed by the Director of Commerce & Technology. The agreed plan shall be presented to the Corporate Governance Panel for information.

The Audit & Risk Manager's decision on which areas to include in an annual audit plan shall take into account the Council's requirement to provide an annual corporate governance statement that includes reference to the internal control environment. Audits may be included in the plan where the risks are able to be audited in respect of individual systems (e.g. Council Tax) or where the identified risks apply to systems and processes across the whole Council (e.g. the recruitment process). When deciding which areas are to be included in the annual plan consideration will also be given to the work that is being undertaken by other assurance providers and the opinions they are able to provide.

Within the control environment there may be certain high risk systems or processes which will need to be reviewed annually in order to allow an opinion to be reached.

Annual coverage will need to encompass a broad range of risks in order to give credibility to the comprehensiveness of the opinion.

The Annual Plan will consist of a brief description of the areas to be covered during each audit, the customer/Head of Service responsible for the audit area (including receiving and dealing with the report), appropriate issues identified from the risk register and the number of days allocated for the audit assignment.

The annual audit plan shall be posted to the Intranet for the information of Members and senior managers.

Delivering the Internal Audit Opinion

A number of different audit techniques will be used to deliver the annual audit plan and consequently, the annual audit opinion. These are:

Risk based system audit reviews. The documentation, evaluation and testing of financial, operational and management information systems. These reviews, based on the standards laid down in the CIPFA Code of Practice and the Internal Audit Manual, provide much of the evidence to support the Internal Audit & Risk Manager's opinion on the adequacy and effectiveness of risk management and internal control.

ICT Audit. Specialist control evaluation of hardware, software and the ICT environment.

Fundamental financial systems tests. Reviews focusing on key controls that provide assurance to the external auditor on the completeness and adequacy of the Council's accounts.

In addition to these three main areas of work internal audit shall also provide control advice on new and developing systems and investigate potential cases of fraud and abuse.

Control advice on new and developing systems. This is a preventative activity designed to add value to the Council. Internal Audit expertise on control and best practice in systems is used to assist those responsible for developing systems and creating new systems.

Investigation of potential cases of fraud and abuse. Enquiries into cases of discovered or reported irregularity including, where required, liaison with the police and other investigatory bodies.

Audit Reporting

Internal Audit Reports

The Audit Manual shall contain the detailed reporting procedures and timescales that internal audit staff are required to follow.

All audit work completed shall be reported in writing to the appropriate Director and the Director of Commerce & Technology.

Implementation of Agreed Audit Actions

It will be the responsibility of managers to ensure that all agreed actions arising from an audit report are implemented in accordance with the timetable they have agreed.

The Audit & Risk Manager shall maintain a record of all agreed actions relating to internal and external audit reports. He shall report quarterly to each Director on the progress achieved towards their implementation. Each Director shall take appropriate action to ensure that agreed actions are implemented.

The Audit & Risk Manager shall identify to the Director of Commerce & Technology as S151 Officer, any actions that have not been introduced that have a material effect on the control environment. The Director shall take appropriate action to ensure that the agreed actions are implemented.

Reports to the Corporate Governance Panel

The Audit & Risk Manager shall submit to the Corporate Governance Panel, no later than the date at which the Council's annual governance statement is approved, his annual report and formal audit opinion. An interim progress report on the performance of the service and any emerging issues covered in the annual report shall be submitted six months later.

Annual reports should include the following information:

- The Audit & Risk Manager's opinion on the overall adequacy and effectiveness of the Council's internal control environment. This shall include any qualifications, together with the reasons for the qualification

and any issues that are particularly relevant to the preparation of the Corporate Governance statement;

- A summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- Performance for the reporting period (including a comparison of the work actually undertaken against the work planned and achievement of its performance measures);
- Details of any external quality assurance or review work undertaken on the Internal Audit Service and compliance with the CIPFA Code of Audit Practice.

The Corporate Governance Panel are responsible for:

- reviewing the effectiveness of the Council's system of internal audit⁷
- the preparation of the Annual Governance Statement.

They shall take account of the Audit & Risk Manager's Annual Opinion together with his comments and observations in carrying out these tasks. The Audit & Risk Manager will attend relevant meetings and review relevant documents prior to their presentation to the Panel.

Reporting to the Director of Commerce & Technology

The Audit & Risk Manager will meet on a monthly basis with the Head of Financial Services to discuss performance and other matters of significance who shall report this information to the Director of Commerce & Technology. The Audit & Risk Manager shall have the right to meet formally with the Director of Commerce & Technology if he feels it is appropriate to do so.

Qualifications & Training Requirements

Internal audit staff should be appropriately qualified. They should also have suitable audit experience. Appropriate professional qualifications for internal auditors are a CCAB professional accountancy qualification, the Practitioner or Member qualification of the Institute of Internal Auditors, or full membership of the Association of Accounting Technicians. The Audit & Risk Manager shall identify and arrange for appropriate professional training to be undertaken by internal audit staff.

The Council is committed to continuing professional and personal development. Training needs for internal audit staff will be identified and reviewed as part of the Council's appraisal process. Personal development plans will be prepared for all audit staff. Training needs will be identified via staff completing a training matrix that identifies the competencies required across both technical and professional and interpersonal/organisational areas e.g. communication, management, negotiation etc.

The Audit & Risk Manager will be responsible for prioritising the training needs of all the audit staff within the section, and ensuring that resources available for training are spent in the most appropriate way.

Reviewing the Effectiveness of the Service

The Director of Commerce & Technology shall arrange for an external quality assurance review of the service to be undertaken at least every five years, commencing March 2011. The aims of the review will be to provide assurance to the Director and the Corporate Governance Panel that the work of internal audit is of a good standard and can be relied upon.

⁷ Accounts & Audit (Amendment)(England) Regulation 2006 (6).

The results of that review shall be considered by the Director of Commerce & Technology, who shall report the findings of the review to the Corporate Governance Panel and make appropriate recommendations for any necessary action. If this includes a service improvement plan the Panel will receive six monthly updates until all actions identified have been completed.

Quality Assurance

The Audit & Risk Manager shall be responsible for introducing effective quality assurance standards and ensuring that Internal Audit work undertaken meets those standards.

A comprehensive Audit Manual shall be maintained that contains full and complete details of the working practices and procedures that have to be followed by all Internal Audit staff to ensure compliance with the CIPFA Code of Audit Practice. All audit work undertaken shall be reviewed at the following key stages by the Audit & Risk Manager:

- Preparation of the audit planning sheet
- Completion of system notes and identification of risks and controls
- Testing and the identification of the status of current risks and associated weaknesses
- Preparation of draft and final audit reports

Audit work will not continue until the Audit & Risk Manager has agreed that the work is appropriate and has met the standards defined in the Audit Manual.

Upon completion of an audit review, the Audit & Risk Manager and appropriate auditor will meet to discuss the audit and identify any issues of note regarding the conduct or delivery of the audit. Issues identified will be considered by the Audit & Risk Manager and actioned if appropriate.

The Audit & Risk Manager shall work proactively with the External Auditor to ensure that the audit resources available are used in the most effective and efficient manner (e.g. the co-ordination of audit plans, sharing of audit reports, joint working). Internal audit files will be maintained to such a standard that the External Auditor is able to place full reliance on their contents. It is expected that the annual audit letter will contain a statement that expresses the External Auditor's view as to how well the section is meeting professional standards.

The Audit & Risk Manager shall seek to ensure continuous improvement of the service by undertaking both qualitative and process benchmarking via the Cambridgeshire internal audit group and the national CIPFA benchmarking club, as resources allow.

May 2010

Control Environment

The control environment comprises the Council's policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the Council's objectives
- Identify, assess and manage the risks to achieving the Council's objectives
- Facilitate policy and decision making
- Ensure the economical, effective and efficient use of resources
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes. It encompasses elements of corporate governance and risk management.

Risk Based Systematic Approach

An audit that:

- Identifies and records objectives, risk and controls
- Establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- Evaluates the controls in principal to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose
- Identifies any instances of over and under control
- Determines an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing
- Arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment

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**INTERNAL AUDIT SERVICE:
INTERNAL AUDIT PLAN
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 To allow the Panel to comment on the internal audit plan for the 12 month period commencing August 2010 before it is finalised. The plan is attached.

2. STRATEGIC AND ANNUAL PLANNING

- 2.1 The Audit and Risk Manager is required, by the 2006 CIPFA Code of Practice for Internal Audit, to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. The annual audit plan provides the majority of the information for his assessment to be made. This opinion is a key element that the Chief Executive and the Panel will consider when they are reviewing elements of the assurance framework and preparing the Council's annual assurance statement.
- 2.2 The Internal Audit Service maintains a four year strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk and system area and the frequency with which it should be audited. Risks recorded in the risk register have been included in the strategic plan. This has led to a number of audit areas being combined so that audits can address common risk themes across services, rather than be conducted on a service by service basis.
- 2.3 To prepare the annual audit plan, the strategic plan is first reviewed and audits placed in priority order. The highest priority schemes which can be delivered within the resources available are then included in the annual audit plan which, following the comments of this Panel, will be determined by the Director of Commerce and Technology as the Council's chief financial officer.

3. RESOURCING THE AUDIT PLAN

- 3.1 The Internal Audit structure included the Audit and Risk Manager and 3 full time equivalents (FTE) of auditors. The main elements of their work are the delivery of the annual audit plan, provision of a wide range of advice and assistance to staff across the Council and undertaking fraud and whistleblowing investigations.
- 3.2 One of the auditors has retired and another has reduced from full time to half time following maternity. Given the Council's financial position the opportunity was taken to consider whether the post needed to be filled. It was decided that 0.5 FTE could be given up as a minimum and potentially 0.7 FTE dependent upon the expectations of the Council's new external auditors and accordingly a 0.8FTE auditor could be appointed. This proposal was made to the Employment Panel and approved in May. (Copy of proposal attached at Annex C)
- 3.3 Since that time discussion has been ongoing with Heads of Service and Directors on the audit programme for next year and it has been possible to remove or defer a small number of audits.

3.4 More significantly, further consideration has been given to the following options:

- The decision as to which areas do not need audit at all is clearly subjective and it would be possible to delete some of the lowest risk audits from the strategic plan. The audits that could be removed are shown in Annex B along with a brief explanation.
- It would be possible to focus each audit on the most significant aspects and omit consideration of items that were marginal risks.
- The remaining planned audits could be supplemented by a 'light touch' self assessment scheme. This would require Managers to complete a check list where significant service, system or personnel changes had occurred. The results would lead to some specific simplified audits thus mitigating the impact of the two options above and providing some level of assurance.

3.5 The Director of Commerce and Technology plans to trial these options over the next year and the approved recruitment will therefore be deferred. A report will be presented to this panel next June on the trial and the Panel will have the opportunity to judge the practical impact on the level of assurance. The views of the new external auditors can also be taken into account.

3.6 This approach will leave a shortfall of resources across the strategic audit plan of 219 days (55 days/year) which could, as necessary, be filled by:

- the use of Deloitte's, our computer audit partner, as they have already been used to undertake a number of general audits in the current audit year.
- other external providers.
- any, appropriately competent, available resources within the Council's existing staff.

3.7 During the current year the total savings expected from introducing the proposals outlined in this section will be of the order of £47k subject to no increased requirements from the Council's new external auditor.

4. RECOMMENDATION

4.1 It is recommended that the Panel:

- a) identify any comments they wish to make to the Director of Commerce and Technology before he finalises the audit plan; and
- b) note the trial of the revised audit approach and the forecast saving.

ACCESS TO INFORMATION ACT 1985

Strategic Audit Plan

The Council's Risk Register

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**



Internal Audit Service

**Internal Audit
&
Assurance Plan
2010 - 2011**

2010 – 2011 Internal Audit & Assurance Plan

The Internal Audit & Assurance Plan for the period August 2010 to July 2011 has been prepared in accordance with best practice as contained in the 2006 CIPFA Code of Practice for Internal Audit.

The Code requires that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the Annual Statement of Assurance on Corporate Governance.

The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as at 31 May have been included within the four year strategic audit plan, although not all, when considering the service issues identified or alternative assurance available, are required to be audited. Reviews that have clear links to risks within the risk register (identified by an extract of the register) will consider the effectiveness of the controls that are in place to manage the risks identified. They will also consider the manager's assurance opinion entered into the register.

A summary of the audits planned for the period are listed on the following pages, together with the name of the Liaison Officer responsible for dealing with any audit report or other issue that arises from an audit review.

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

In addition to undertaking the audits detailed in the plan, the review of fraud related risk areas will continue. Internal audit are also likely to be involved in providing advice and assistance to managers, advising on new project developments and dealing with any whistleblowing allegations received.

Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require audits to be substituted so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. Chief Officers and Heads of Service will be informed of any changes before they are introduced.

David Harwood
Audit & Risk Manager
20 June 2010

Corporate Systems

Corporate Governance Arrangements: D Monks

8

A review of the robustness and completeness of Corporate Governance procedures against the CIPFA/SOLACE framework and the assurance framework that has been introduced. The audit will be completed so as to inform the September 2011 governance statement.

Customer Services: J Barber

10

Risk: 171	<i>Inherent</i>	Medium	<i>Residual</i>	Low
Risk: 173	<i>Inherent</i>	High	<i>Residual</i>	Medium
Risk: 174	<i>Inherent</i>	High	<i>Residual</i>	Medium

- 171 Inadequate consultation with Customer Services prior to changes/improvements in individual services resulting in reduced time for implementing the changes and subsequent failure to meet the expectations of customers.
- 173 Staffing levels are inadequate leading to reduction in customer service levels.
- 174 Customer Service Centre is not informed of changes to services/events advertised as available at the centre leading to customer dissatisfaction with quality of service provided.

This review will examine the management and performance of Customer Services since its move to Pathfinder House.

Management of Health and Safety: C Garbett

6

Risk: 16	<i>Inherent</i>	High	<i>Residual</i>	High
Risk: 17	<i>Inherent</i>	High	<i>Residual</i>	Medium
Risk: 175	<i>Inherent</i>	High	<i>Residual</i>	Medium

- 16 A member of the public /Council employee is seriously injured or killed due to the Council not providing its employees with either a safe working environment or sufficient and adequate training with regard to the tasks that it requires to be carried out.
- 17 A member of the public is seriously injured or killed whilst visiting or using Leisure Centre facilities because the Council has not provided a safe environment or its staff with sufficient and adequate training.
- 175 Benefits and/or Benefits Fraud Visiting Officers are subject to violence & aggression resulting in illness and/or injury.

This audit will consider the Council's approach to health and safety, including the role/responsibilities of Health & Safety Officers and managers, the approach taken towards the assessment of risk and the introduction of best practice, codes of conduct and legislation. This area was last audited in October 2006 and received an adequate assurance opinion.

Register of Interests: R Reeves

3

To examine the procedures in place for the recording of gifts or hospitality received or given by both Members and Officers in accordance with the Local Government Act 2000. This area was last audited in September 2006 and received an adequate assurance opinion.

Total Allocation 27

Financial Systems

Housing Benefits: J Barber

12

Risk: 27	<i>Inherent</i>	High	<i>Residual</i>	High
Risk: 143	<i>Inherent</i>	Very High	<i>Residual</i>	High
Risk: 144	<i>Inherent</i>	High	<i>Residual</i>	Medium
Risk: 191	<i>Inherent</i>	Medium	<i>Residual</i>	Low

- 27 An interruption in the benefit system service or inadequate numbers of trained/skilled staff may lead to benefits not being paid correctly or on time.
- 143 Economic downturn leads to increased demand for Housing Benefit and Customer Services that cannot be met from existing resources resulting in a fall in service levels and damage to the Council's reputation.
- 144 Housing Benefit fraud goes undetected leading to loss of funds from public purse.
- 191 Sensitive benefits information is sent by unsecured channels leading to a breach of the GC CoCo and Data Protection regulations

To review on an annual basis the administration of the Housing Benefit systems. This year's audit will consider overpayments and recovery, and the subsidy claim. Issues appropriate to these areas identified within Housing Benefit & Council Tax Performance and Good Practice Guide will also be considered. These areas were last reviewed in August 2006 and received substantial assurance.

Integrated Payroll & Personnel System: C Garbett

20

Risk: 216	<i>Inherent</i>	Medium	<i>Residual</i>	Low
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- 216 A significant interruption to ResourceLink may lead to salaries not being paid correctly or on time.

Elements of the payroll/HR system are reviewed on an annual basis. The audit will examine the procedures followed to manage statutory and voluntary deductions from payroll. These areas were last reviewed in October 2006 and received substantial assurance.

Loans and Investments: S Couper

6

Risk: 47	<i>Inherent</i>	Very High	<i>Residual</i>	Very High
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- 47 Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected service cuts.

This audit will review the management of loans and investments against the Treasury Management Strategy. The implementation of previously agreed audit actions will also be reviewed. This area was last reviewed in June 2009 and received an adequate assurance opinion.

National Non Domestic Rates: J Barber

10

Risk: 142	<i>Inherent</i>	Very High	<i>Residual</i>	Medium
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- 142 Economic downturn leads to increase in arrears and leads to a reduction in income and cash flow problems.

To review on an annual basis a particular aspect of the NNDR system. This years review will examine the valuation list, inc liaison with the Valuation Office and notifications, amendments and reconciliations.

Council Tax: J Barber

Risk: 67	<i>Inherent</i>	High	<i>Residual</i>	Low
Risk: 142	<i>Inherent</i>	Very High	<i>Residual</i>	Medium
Risk: 184	<i>Inherent</i>	High	<i>Residual</i>	Medium

12

- 67 Council Tax direct debits are not collected on time (collected twice) leading to an increase (reduction) in the cost of borrowing and local reputation damage.
- 142 Economic downturn leads to increase in arrears and leads to a reduction in income and cash flow problems.
- 184 Disruption in services provided by the Document Centre result in Annual Bills and other statutory documents not being issued correctly or on time.

To review on a cyclical basis specific areas of the Council Tax system. This year's review will examine liability and billing. This area was last reviewed in December 2007 and received a substantial assurance opinion.

Creditors: S Couper

Risk: 164	<i>Inherent</i>	Very High	<i>Residual</i>	Medium
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25

- 67 e-Marketplace delay leads to lost revenue opportunities.

To review on a cyclical basis specific areas of the creditors system. This years review will examine purchase ordering processes, the operation of the e-marketplace and areas identified from the fraud and corruption plan will also be reviewed. This area was last reviewed in January 2006 and received a substantial assurance opinion.

Inspection of Invoices: S Couper

Risk: 39	<i>Inherent</i>	High	<i>Residual</i>	High
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8

- 39 The Code of Procurement is not followed correctly, leading to accusations of irregular practices and the challenging of award decisions.

In view of the issues identified in the September 2009 annual governance statement, a review is to be conducted of invoices paid, to provide additional assurance that the Code of Procurement is not being evaded.

Debtors: S Couper

Risk: 179	<i>Inherent</i>	Medium	<i>Residual</i>	Medium
Risk: 180	<i>Inherent</i>	Medium	<i>Residual</i>	Low

15

- 179 Income direct debits are not collected on time and invoices cannot be issued leading to an increase in the cost of borrowing and local reputation damage.
- 180 Debt collection agent ceases to trade resulting in the non-collection of debts.

To review on a cyclical basis specific areas of the debtors system. This years review will examine the systems for the raising and despatch of debts. This area was last reviewed in March 2003 and received a limited assurance opinion.

Car mileage payments: C Garbett

A compliance audit, to review of the payments made to staff, to identify potential incorrect claims or abuse of the agreed systems. This audit is part of the regular review of 'fraud' areas.

5

Main Accounting System: S Couper

The e-financial management system is a key system that is reviewed every other year. The system was last reviewed in August 2009 and received a substantial assurance opinion.

8

Total Allocation 121

Commerce & Technology

One Leisure – Bars and Catering: S Bell

18

The review will identify the risks associated with the operation of the One Leisure bar and catering arrangements and the management controls introduced to address those risks. The implementation of previously agreed actions will also be reviewed. This area was last reviewed in June 2006 and received a limited assurance opinion.

Total Allocation 18

Central Services

Licensing: R Reeves

12

Risk: 45 *Inherent* **High** *Residual* **Medium**

45 The procedures for the implementing of licensing activities are not robust, so endangering the safety of the public.

To review the procedures for the issue of entertainment, lottery and amusement, street trading, hackney carriage licences and the collection of fees. This area was last reviewed in July 2006 and received an adequate assurance opinion.

Casual and Temporary Employees: C Garbett

12

This review will examine the appointment process for variable hours, temporary and casual employees, the monitoring and review of temporary contracts, the payment of wages to these staff and a limited probity review to ensure that no ghost employees exist. This area was last reviewed in April 2005 and received a limited opinion.

Electoral Registration: R Reeves

5

Risk: 29 *Inherent* **High** *Residual* **Medium**

29 Deficiencies in the administration of elections and/or the elector registration processes leads to results being challenged and the Council being unable to operate effectively.

The payment of election fees and associated charges has been incorporated into the main financial system. This review will examine the payment procedures as well as electoral registration. This area was last reviewed in October 2007 and received a limited assurance opinion.

S106 Agreements: C Garbett

8

Risk: 208 *Inherent* **Very High** *Residual* **Medium**

208 Section 106 Agreements may not be adequately monitored resulting in non-compliance with the conditions of the agreement and financial contributions not collected and used in accordance with the agreement.

To review the management of Section 106 agreements. This area was last reviewed in August 2006 and received an adequate assurance opinion. The audit will examine the controls that have been put in place to manage the risk noted above.

Total Allocation 37

ICT Audit

Service developed ICT systems: C Hall 10
 Risk: 135 *Inherent* **High** *Residual* **High**

135 ICT Developments outside IMD may not be sustainable resulting in loss of service and/or additional costs to repair or replace the system.

There are a number of IT systems that have been developed by staff within services without reference to IMD. The systems may not be sufficiently robust or align with the Council's ICT Strategy. This audit will review a number of these systems and consider adequacy of system documentation, data integrity and service delivery issues and business continuity. This area has not been reviewed previously

Post Implementation Reviews: C Hall 6
 To review the introduction of the Citrix system.

Application reviews: 30
 e-Marketplace: this is a new system.
 HR and Payroll: previously reviewed in January 2005 and received an adequate opinion.
 The financial system: previously reviewed in March 2005 and received an adequate opinion.

Business Continuity & Disaster Recovery: C Hall 6
 Additional network resilience should be available with the location of servers at Pathfinder and Eastfield House. This review will consider the business continuity and disaster recovery arrangements that are now in place.

Backup Procedures: C Hall 6
 This review will examine the backup procedures in place, following the move to Pathfinder House in February 2009.

Total Allocation 58

Environmental and Community Services

Refuse and Kerbside Waste Collection: R Ward 10
 Risk: 11 *Inherent* Very high *Residual* High

11 The Council is unable to collect household and trade waste on a regular basis resulting in both environmental and health & safety concerns and a reduction in the quality of life of residents.

The refuse service is a key service to the residents of the District. This audit will review the procedures associated with the management of the service, particularly the workforce and fleet and kerbside recycling and recycling initiatives in place. This area was last reviewed in March 2006 and received a substantial opinion.

Car Park Management: R Ward 12
 The systems and procedures for managing car park income and excess charges has recently changed. This audit will specifically review credit call, the hand held penalty/excess charges and the Chipside charging management system. This area was last reviewed in March 2007 and received an adequate assurance opinion

Homelessness: S Plant 10
 Risk: 148 *Inherent* **Very High** *Residual* **Very High**

148 Increased homelessness and applicants on the housing register due to imminent changes to the local housing allowances (housing benefits).

A review of the management and processing of homelessness cases within the District. This will include the proactive steps taken to stop people becoming homeless, bringing empty homes back into use, temporary accommodation capacity and the management of placements. This area was last reviewed in July 2006 and received a substantial assurance opinion.

Building Control Income: P Jose 8
 Risk: 44 *Inherent* **High** *Residual* **High**

44 Building control customers take their business elsewhere due to the service not being carried out effectively, resulting in the eventual loss of the service.

This review will examine the systems and procedures in place to administer building control fee income. This area was last reviewed in January 2007 and received a limited assurance opinion. The implementation of previously agreed actions will also be reviewed.

Planning Services Income: S Ingram 8

This review will examine the systems and procedures in place to administer all fee income. This area was last reviewed in July 2003 and received a substantial assurance opinion.

Development Management: S Ingram 5
 Risk: 43 *Inherent* **High** *Residual* **High**

43 Development Management decisions are challenged requiring staff and financial resources to be directed at defending the challenge resulting in a reduction in service.

The cost of responding to challenges on planning decisions is expensive, both in Officer time and monetary terms. This audit will review the Member training procedures in place and examine how potential outcomes are highlighted to Members. This area has not been reviewed previously.

Total Allocation 53

Contracts

Service & Supply contracts 5

To undertake an in-depth review of a service or supply contract that has been entered into during the year. The exact audits will be selected later in the audit year.

New Headquarters and Eastfield House: R Preston 10

A review of the contract payments and final account upon the completion of the new building project.

Total Allocation 15

Audits to be deleted from the Strategic Plan

Audit	Reasoning	Inherent Risk	Residual Risk
Partnership working	Few significant partnerships Health-check process in place	High	Medium
Site security issues	New buildings have improved security. Security issues will be considered within other audit areas	High	Medium
Council capping	Central Government policy changes	High	Medium
Failure to meet statutory deadlines	New area, included from risk register. No evidence to suggest the risk identified is not being well managed	Medium	Medium
Effectiveness of Overview & Scrutiny Panels	Panels becoming better acquainted with their role	Medium	Medium
Staff communications	Previous review 2006/07. Audit & Risk Manager's opinion that further review not necessary	Medium	Low
Purchasing and Corporate Cards	To be included within cyclical creditors work plan	Medium	Medium
Construction Industry Scheme	Reducing payments under this scheme, allowing for it to be included in the cyclical creditors work plan	Medium	Medium
Building Cleaning	To be included within the audit of service contracts	Medium	Medium
Overtime	To be included within cyclical payroll work plan	Medium	Medium
Concessionary public transport fares	Joint audit completed by Cambridge City and the County Council. Expect similar approach in the future.	Medium	Medium
Contract - final accounts	Reducing number of capital schemes. Reviews will be undertaken by other members of Financial Services	Medium	Medium
Local Strategic Partnership	Considered as part of the annual governance review	Medium	Medium
Service reviews	Increasing Member and Officer scrutiny	Medium	Medium
Charging for Council services	Increasing Member and Officer scrutiny	Medium	Medium
Corporate Subscriptions	Increased Officer scrutiny due to financial circumstances	Medium	Medium
Delivery of MTP developments	Increasing Member and Officer scrutiny due to financial circumstances.	Medium	Medium
Job evaluation scheme	Completed in 2009/10. Audit & Risk Manager's opinion that further review not necessary, unless scheme is amended.	Medium	Medium
Vehicles - car leasing	Low number of leases. Issues to be considered within staff allowance review.	Medium	Medium
Abandoned vehicles	No longer considered to be significant service issue	Medium	Medium
Electronic signatures	IT systems are proving more secure than expected	Medium	Medium
Members allowances	Fixed allowances Likely to be considered by external audit	Medium	Medium

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Employment Panel Information

Date Vacant	Post Ref	Post Designation	Grade	Division	Reason for Vacancy
Feb 2010	CT037	Auditor	8	Financial Services	Retirement
<p>Background</p> <p>The Audit team establishment consists of the Audit and Risk Manager and 3 FTE of auditors.</p> <p>Post 1 (CT038) is filled by two part time auditors Post 2 (CT036) is held by an auditor who is due to return from maternity in July on a half time basis Post 3 (CT037) is now vacant following a retirement in February.</p> <p>In addition there is a contract with Deloitte, a large national audit company, to provide computer audit and, if required, general audits.</p> <p>During the current and past maternities some of the salary savings have been used to fund general audits from Deloitte to ensure that, as far as possible, the approved audit plan is delivered each year.</p> <p>Each year's audit plan is based on a review of the Council's total need for audit coverage which is then apportioned over a 4 year period. Corporate Governance Panel are invited to comment on the proposal and then the Director of Commerce and Technology will approve the plan. In doing this he is complying with his statutory requirement under S151 of the Local Government Act 1972 for ensuring the "proper administration of the financial affairs" of the Council.</p> <p>The audit programme is also a key element in the provision of the Audit Manager's annual opinion to the Corporate Governance Panel and the completion of the Council's annual Corporate Governance Statement.</p> <p>Proposal</p> <p>Given the Council's financial position, the Council's audit coverage requirement has been re-examined in order to determine whether this current vacancy needs to be filled. It has been possible due to a combination of reduced risks in some areas and consolidation of some audits to reduce the need by 6%.</p> <p>At the same time there have been regular training opportunities to ensure that the auditors maintain their high levels of productivity.</p> <p>Any proposal needs to take account of the fact that the Council's external auditors are changing from Grant Thornton to PricewaterhouseCoopers for the 2010/11 financial year. Different audit firms have varying expectations on the amount and type of internal audit work that will be undertaken to support their work.</p> <p>It is therefore proposed:</p> <ul style="list-style-type: none"> • that the vacant post (Post 3) be filled on 80% basis with an experienced auditor or, if this is not possible, a full time trainee auditor at a similar cost. • that, until the expectations of the new external auditors are clearer and the impact on the audit plan clarified, the remainder of Post 3 and its related funding be retained. • that half of post 2 be deleted from the establishment and its funding given up from August 2010 (the start of the new audit year). <p>This request has been discussed with and is supported by Councillor Rogers, the Executive Councillor for Finance.</p>					

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MONEY LAUNDERING AVOIDANCE POLICY & PROCEDURE
(Joint report by the Head of Law, Property and Governance
and the Audit & Risk Manager)

1 INTRODUCTION

1.1 The legal and regulatory framework for anti-terrorist financing and anti-money laundering arrangements comprises

- The Terrorism Act 2000 (TA);
- The Proceeds of Crime Act 2002 (POCA); and
- The Money Laundering Regulations 2007, SI 2157.

The Council introduced a Money Laundering Avoidance Policy and Procedure in July 2005. This was in response to the legislation above, although it should be noted that the 2003 Money Laundering Regulations were in force at that time

The 2003 Regulations were revoked in December 2007 and replaced by the Money Laundering Regulations 2007, SI 2157.

1.2 The principal money laundering offences as defined by the POCA are:

- the concealing, disguising, converting, transferring or the removal of criminal property from the UK;
- entering into or becoming concerned in an arrangement which is known or suspected to be concerned with the acquisition, retention, use or control of criminal property;
- to acquire, use or have possession of criminal property.

Other offences are:

- the failure to disclose knowledge or suspicions of money laundering
- tipping off an alleged offender

The money laundering definition is such that it can be applied to virtually all criminal assets, not just the narrow definition of 'money'. The POCA also clearly states the offences apply to all UK residents, whether acting in a private or professional capacity.

1.3 The Regulations are concerned with measures to restrict the opportunities for money laundering by ensuring that businesses introduce money laundering reporting systems, staff training, customer identification, record keeping and internal reporting procedures.

2 LEGISLATION

2.1 The 2007 Regulations explicitly remove Local Authorities from complying with money laundering requirements. This is because Council's are not 'relevant persons' (as defined in the 2007 Regulations) nor are they part of the 'regulated sector'(as defined in POCA).

2.2 The POCA remains in force and requires only that staff have a general awareness of money laundering issues and that an Officer is nominated to deal

with notifications to the Serious Organised Crime Agency in the event of suspected money laundering.

3 POLICY REVIEW

- 3.1 The Money Laundering Policy has been reviewed each year by the Audit & Risk Manager although not formally reported to the Panel. Whilst the legislation has changed, the need to minimise the Council's reputation risk remained and the overall affect on the Council did not alter due to the need for compliance with the POCA.
- 3.2 A review of activities that may be susceptible to money laundering was undertaken prior to the adoption of the Policy in July 2005. It was considered at that time that our exposure to money laundering was low and the Policy we adopted was a proportionate response to the legislation and risks faced. The risks were further reduced when Customer Services stopped accepting cash payments.
- 3.3 Whilst Customer Services no longer accepts cash payments, it is still accepted in other service areas, primarily One Leisure.

The original Policy allowed for cash sums of up to £100 above the Band H Council Tax to be accepted. This figure is now considered too high and a lower figure of £1000 is suggested. This will still allow One Leisure to continue to accept substantial cash payments, primarily for event bookings.

- 3.4 As the Policy was introduced specifically to deal with the requirements of the 2003 Money Laundering Regulations, it could be argued that as they have been revoked a specific Policy is no longer required. Certainly the need to undertake customer identification procedures for 'regulated activities' is no longer required and has been removed from the Policy.

It is suggested that the changes to the Policy be adopted, and that the POCA requirements are included within the Anti-Fraud and Corruption Strategy when it is reviewed in December.

The Money Laundering Avoidance Policy is attached at Annex A.

4 RECOMMENDATIONS

- 4.1 It is recommended that the Panel note the report and agree to
 - a. The Money Laundering Avoidance Policy; and
 - b. Integrate the Policy into the Anti-Fraud and Corruption Strategy in December 2010.

BACKGROUND INFORMATION

Proceeds of Crime Act 2002

Money Laundering Regulations 2007 (SI 2157 2007)

Contact Officer: David Harwood, Audit & Risk Manager ☎ 01480 388115

Huntingdonshire District Council

Money Laundering Avoidance Policy

Money Laundering

Money laundering is the process by which criminally obtained money or other assets (criminal property) are exchanged for "clean" money or other assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism.

The primary money laundering offences are:

- concealing, disguising, converting, transferring criminal property or removing it from the UK
- doing anything to assist the above
- not reporting suspicions that money laundering is taking place
- acquiring, using or the possession of criminal property

Policy Statement

The Council is committed to maintaining high standards of probity and conduct. It will introduce procedures, proportional to the risks that it faces, that endeavour to identify and prevent criminal activity through money laundering.

It will do this by:

- Setting a maximum limit for the receipt of cash payments (notes and coins).
- Introducing guidance that applies to all employees of the Council, explaining their responsibilities in identifying and reporting potential money laundering activity.
- ~~• Introducing client identification procedures for 'regulated activities'~~
- Designating an officer to be responsible for receiving, examining and investigating all concerns.
- Ensuring that the money laundering avoidance policy and guidance is complimentary to other anti-fraud and corruption policies and associated guidance that has been, or may be, introduced.

Maximum Limit for the Receipt of Cash Payments

The maximum limit for the receipt of cash payments shall be £1000.

Guidance and Training

General guidance to staff shall be published via the intranet outlining their responsibilities with regard to money laundering, reporting arrangements and compliance with this policy. Officers employed in services that are considered to be especially vulnerable to money laundering shall also receive training.

~~Client Identification Procedures~~

~~Guidance to staff detailing the procedures to be followed and evidence to be maintained that verifies the identity of clients involved in certain transaction types of £10,000 or more shall be introduced.~~

Internal Reporting Procedures

The Internal Audit & Risk Manager, who has already been designated the 'Money Laundering Reporting Officer' under the Council's treasury management practices, shall be appointed the designated officer in respect of this policy and for that purpose shall report to the Council's Monitoring Officer.

He will be responsible for receiving and reviewing all concerns reported, deciding upon the action to take, leading and directing investigations, preparing any subsequent reports and liaising with the person raising the concern and statutory authorities.

Co-ordination of Policies

All Council strategies, policies, procedures and guidance shall be reviewed at least annually to ensure that they are complimentary to one another with regards to raising and investigating anti-money laundering concerns.

Monitoring and Review

The Council's Monitoring Officer, will be responsible for monitoring the implementation and effectiveness of the Policy and the guidance note.

CORPORATE GOVERNANCE PANEL

30 JUNE 2010

ANTI-FRAUD & CORRUPTION FRAMEWORK

(Report by the Audit & Risk Manager)

1. INTRODUCTION

- 1.1 This report details the outcome of the annual review of the Anti-Fraud and Corruption Framework.

2. THE FRAMEWORK

- 2.1 The Council has good internal control measures in place which accounts for the very low extent of fraud perpetrated against it. It is not complacent however and recognises that it needs to effectively manage the risks associated with the task of countering fraud and corruption.
- 2.2 The anti-fraud and corruption framework has been reviewed and updated as necessary, see Annex A. Actions agreed in June 2009 are also listed. Actions outstanding are contained in Annex B.
- 2.3 Training and maintaining awareness are issues that need to be resolved. E-learning is the preferred training method and whilst a number of software packages have been reviewed and evaluated, they are expensive to purchase and maintain. A balance needs to be struck between cost and effectiveness, and it is probably that an in-house solution will be developed.

3. RECOMMENDATION

- 3.1 It is recommended that the Panel:
- Note the responses to the framework; and
 - Endorse the action plan.

BACKGROUND INFORMATION

2009 Anti-fraud and corruption framework

Contact Office: David Harwood, Audit & Risk Manager ☎ **01480 388115**

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
	Policy and Procedures				
1	Corporate Governance Panel undertakes an annual review of the Anti Fraud & Corruption Strategy and Whistleblowing Policy to ensure they remain relevant, up to date and cover key requirements, and amend when necessary.	Audit and Risk Manager		Reviews have been conducted annually since the strategy was introduced. Last review was in December 2009 - Anti Fraud and Corruption Strategy	December 2010
2	The documents are publicised and made available, and can be easily accessed by staff, members, partners, those contracting with the Council and the public.	Audit and Risk Manager	✓	The documents are included on the Council's website. There are numerous links to whistleblowing on the A to Z index pages of the internet.	
3	The Anti Fraud & Corruption Framework is updated at least annually.	Audit and Risk Manager		Framework adopted in December 2008. First review completed June 2010 with the intention to review annually.	June 2011
4	The Head of Customer Services undertakes an annual review of the Housing & Council Tax Benefit Anti-Fraud Strategy and the Prosecution Policy.	Fraud Manager	✓	Both documents were considered and approved by Corporate Governance Panel in March 2010. Fraud Strategy Prosecution Policy	March 2011
5	On an annual basis, a review of activities that may be susceptible to money laundering shall be carried out and the Money Laundering Policy amended when necessary.	Audit and Risk Manager		See the report on the agenda on changes proposed to the Money Laundering Policy.	December 2010

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
	Maintaining Awareness				
6	New employees are made aware of the Fraud & Corruption Strategy and Whistleblowing procedures.	Audit and Risk Manager HR Manager	✓	A guide has been prepared that details the Council's approach/stance to countering fraud. This also covers ethical values.	Guide to be reviewed in March 2011
7	Fraud and corruption awareness training is provided for employees and members.	----	✓	There is no formal training provided to the majority of employees or members.	Annex B
8	Reminders are issued periodically to employees about fraud/corruption/whistleblowing/money laundering.	Audit and Risk Manager	✓	Reminders are issued to appropriate staff. The last reminder was sent in May 2010. Annual poster campaigns are used to remind staff about fraud and whistleblowing issues. Information is also posted to the intranet. Whistleblowing article in Team News, November 2009. Intranet pages updated in October 2009 with details about data matching and the NFI process. Note also added to October 2009 payslips.	May 2011 November 2010 October 2010

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
9	Demonstrate that Council staff, members, significant partners and contractors have confidence in the whistleblowing arrangements and are aware how to make a disclosure.	Audit and Risk Manager	✓	<p>Poster refreshed in January and May 2010. Information also posted to the intranet. Whistleblowing article in Team News, November 2009.</p> <p>Corporate Governance Panel receives an annual report (December) that summarises the whistleblowing concerns raised and gives them the opportunity to question matters investigated. The numbers of concerns raised has remained steady at approx 12 per year.</p> <p>Further work is required to publicise the arrangements to partners and contractors.</p>	Annex B
10	Publicity is issued to inform residents that the Council is pro-active in identifying fraud.	Head of Customer Services		<p>Press releases are frequently issued and reported, detailing successful benefit fraud prosecutions. This information is also posted to the intranet. Press releases include details of the benefit fraud telephone line. District Wide has also been used to publicise successful prosecutions.</p>	Following successful prosecutions
11	Managers who have key responsibilities for anti-fraud and corruption arrangements receive appropriate training and keep up to date with the latest developments, risks and initiatives.		✓	<p>No training is provided to managers.</p>	Annex B

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
103 12	General guidance to staff shall be published via the intranet outlining their responsibilities with regard to money laundering, reporting arrangements and compliance with the Council's money laundering policy.	Audit and Risk Manager		<p>The Council's current Money Laundering Avoidance Policy and Procedure is available via the Internal Audit Intranet page. Money laundering guidance document has also been produced and is posted on the site for reference by staff as required.</p> <ul style="list-style-type: none"> • Policy • Guidance • Customer Identity <p>Changes to the guidance will be made to reflect the decision taken by the Panel re the Money Laundering Policy.</p>	As appropriate depending on the decision taken by the Panel.
13	Officers employed in services that are considered to be especially vulnerable to money laundering shall also receive training.	Audit and Risk Manager		<p>Training was provided in 2006 by Internal Audit and an email reminder issued in June 2008.</p> <p>No further action taken, as money laundering is now considered to be a low risk area.</p>	December 2010

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
	Proactive Anti Fraud & Corruption Work				
104	14 There is a pro-active programme of counter fraud and corruption work which is adequately resourced, risk based and proportionate to the risk identified.	Audit and Risk Manager Head of Customer Services		Pro-active fraud work is included in the audit plan for 2009/10. Audit staff are familiar with data extraction software which is used to identify areas for further investigation. Data mining software is used by benefits staff to identify potential cases of fraud. The Benefit Fraud Team has clearly laid out procedures, a Prosecution Policy and Terms of Reference to ensure that all investigations are carried out in a timely manner and that all cases reported for investigation are sifted to ensure that those posing the greatest risk received the highest priority and other cases are still considered and dealt with using the appropriate resources.	On-going
	15 Review of risk register entries highlighting fraud and corruption risks is undertaken on a regular basis. Mitigation to reduce fraud is proportionate to the risk.	Audit and Risk Manager		Reviews of the risk register are undertaken on a regular basis and liaison is maintained between the relevant manager and the Insurance and Risk Officer. Risk Management reports are provided to Corporate Governance Panel and issues relating to fraud and corruption would be highlighted as appropriate.	On-going

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
16	Significant partnerships have anti-fraud and corruption arrangements in place.		✓	The guidance requires whistleblowing arrangements to be explained (publicised, monitored and reviewed). All partners are also required to understand their responsibilities if non-compliance with governance arrangements or fraud and corruption issues are identified.	Annex B
17	Documented procedures are in place for the notification of non-compliance with Council policies and procedures.	Director of Central Services	✓	The Employees Code of Conduct outlines the behaviours expected of staff and explains how notifications have to be reported to Senior Officers. Note posted to intranet in October 2009 reminding staff of the need to record gifts and hospitality. The note was viewed over 300 times. Email sent to Heads of Service, April 2010, reminding them to highlight the Code of Conduct to staff.	October 2010
18	Maintain, publicise and monitor confidential telephone reporting lines and other channels for whistleblowing and fraud reporting.	Audit and Risk Manager	✓	Telephone numbers appear in District Wide. Secure telephone numbers are in place for benefit fraud and general whistleblowing/fraud reporting, Calls to these numbers can only be accessed by a small number of staff. Poster campaigns are developed periodically to publicise fraud/whistleblowing and the reporting lines available.	

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
19	The internet, application forms, license or contractual agreements contain an appropriate fair processing notification permitting data sharing for the prevention and detection of fraud and corruption.	Data Protection Officer and Various Managers		Information about fair processing is available on the Council's website. Key application forms etc include the required notification. As part of routine audit work, checks are completed to ensure data protection statements and reference to data matching / sharing are included on forms etc. <ul style="list-style-type: none"> • Data Matching • Privacy disclaimer 	
20	Appropriate arrangements for identifying and dealing with potential money laundering, are included in applicable contracts or similar agreements with external organisations.	Appropriate Manager		Reference is included in the contractual agreement with the Bailiffs.	Considered when felt appropriate
21	Internal audit prepare and maintain risk assessments that identify key systems that are susceptible to the likelihood of fraud and corruption (e.g. recruitment of staff). Reviews are undertaken on the controls operating in those systems.	Audit and Risk Manager		A Fraud and Corruption Plan Risk Assessment has been prepared which sets out risks and controls in key areas where there is potential for fraudulent activity.	
	National Fraud Initiative (NFI)				
22	Data is provided to the NFI in accordance with published timetables.	Audit and Risk Manager		All the data required for the 2008 NFI review has been provided.	

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
23	NFI data matches are reviewed and follow-up work, proportionate to the risk identified, is undertaken. Investigations are carried out promptly.	Audit and Risk Manager		The Audit & Risk Manager oversees the work undertaken. The Audit Commission guidance on the datasets to review is followed. This ensures that resources are targeted at the most appropriate areas. Investigations are carried out in accordance with the NFI timetable. A report on outcomes for NFI 2008 was reported to Corporate Governance Panel in March 2010.	
	Investigative Fraud Work				
24	Staff involved in investigative work are appropriately trained and maintain their skills by regular training and keep up to date with developments and legislation.	Head of Customer Services		The majority of investigative fraud work is undertaken by the Benefits Fraud Team. All officers are accredited counter fraud specialists and receive regular refresher training as required.	
25	Investigations are conducted in accordance with statutory requirements (PACE, RIPA etc).	Head of Customer Services		All fraud work conducted by the Benefits Fraud team complies with the relevant legislation, including PACE, RIPA and the Fraud Act 2006.	
26	Investigate promptly potential cases of fraud and corruption, or pass to an appropriate external organisation (Police or DWP etc)	Head of Customer Services		The Benefits Fraud team routinely work through fraud cases assigned to them and close liaison is maintained with the DWP, Police and other relevant bodies.	

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
27	Effective working arrangements are in place with other organisations (e.g. Police, DWP and HBMS). Intelligence is shared when appropriate.	Head of Customer Services		See comments above.	-----
28	There is a policy which is applied in a consistent way, on the application of sanctions and recovering losses where fraud and corruption has been proven.	Head of Customer Services		Sanctions for offences identified including fines, cautions and prosecution and are applied in accordance with the benefits prosecution policy which takes into account the severity of the matter.	
	Outcomes				
29	Appropriate action is taken against those who successfully have committed, or attempted to commit, acts of fraud or corruption, including the recovery of losses sustained(incl. use of criminal and civil law). .	Head of Customer Services		In 2008/2009 the Council identified £629,000 in overpaid benefits and prosecuted 49 people with another 66 receiving cautions and financial penalties.	
30	Lessons learnt from fraud and corruption investigations are evaluated and result in the strengthening of the systems involved to reduce future opportunities.	As appropriate		Where weaknesses have been identified, system changes are discussed with the appropriate Manager.	
31	Successful cases of proven fraud and corruption are publicised.	As appropriate		Press releases are issued in respect of all successful benefit prosecutions. This information is also posted to the intranet.	

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	2009 Action Plan	Evidence / Source Documents	Update/ Further Action
32	<p>The Corporate Governance Panel receives (at least annually) reports on</p> <ul style="list-style-type: none"> • Housing Benefit Fraud investigations (including information in respect of prosecutions, administrative penalties and cautions and the active recovery of fraudulent overpayments) • Whistleblowing allegations received and outcomes • Other fraud and corruption investigations and outcomes 	Head of Customer Services & Audit and Risk Manager		<p>Information in respect of Housing Benefit fraud investigations and whistleblowing activity were reported to the Panel in September 2009.</p> <ul style="list-style-type: none"> • 2009 Housing Benefit Fraud and Whistleblowing 	September 2010
33	All frauds that exceed £10,000 are reported promptly to the external auditors on the appropriate form.	Head of Customer Services		Returns are made quarterly to the external auditor.	

Anti Fraud & Corruption Framework

Action Plan

	Specific Requirement	Agreed Action	Lead Officer	Implementation Date
	Maintaining Awareness			
7	Fraud and corruption awareness training is provided for employees and members.	Training to be developed and delivered via the e-learning software.	Audit & Risk Manager & Fraud Manager	30 November 2010
9	Demonstrate that Council staff, members, significant partners and contractors have confidence in the whistleblowing arrangements and are aware how to make a disclosure.	Further work is required to publicise the arrangements to partners and contractors. Potential to use e-mail.	Audit and Risk Manager	30 September 2010
11	Managers who have key responsibilities for anti-fraud and corruption arrangements receive appropriate training and keep up to date with the latest developments, risks and initiatives.	Training to be developed and delivered via the e-learning software.	Audit and Risk Manager	30 November 2010
Vari-ous	Anti-money laundering guidance will be reviewed to reflect legislative changes .	The Anti-Fraud and Corruption Strategy will be amended.	Audit and Risk Manager	December 2010

COMPLAINTS (Report by the Director of Central Services)

1. INTRODUCTION

- 1.1 The purpose of this report is to provide Members with information on internal complaints and a summary of complaints determined by the Local Government Ombudsman.

2. SUMMARY OF INTERNAL COMPLAINTS

- 2.1 The Council's internal complaints system summarises complaints into six categories as follows:-

- ◆ action of employee;
- ◆ council policy;
- ◆ council procedures;
- ◆ equality of service;
- ◆ failure to respond; and
- ◆ service delivery.

- 2.2 The table attached at Annex A provides an analysis of complaints by complaint reason, the Division involved and results compared with the previous two years.

- 2.3 The Council captures information relating to verbal complaints. These complaints predominantly relate to the Operations Division and, for the period 2009/10, 420 (457) complaints were received out of 39,450 (41,546) service requests, which represented a complaint rate of 1.1% (1.1). The figures in parenthesis are for 2008/09.

3. SUMMARY OF OMBUDSMAN COMPLAINTS

- 3.1 The Local Government Ombudsman Service has published its provisional statistics for enquiries and complaints dealt with in relation to the District Council in the year 1st April 2009 to 31st March 2010. The Ombudsman received a total of 18 enquiries and complaints in 2008/09, which represents a small decrease on the 15 received in the previous year. The Ombudsman will not normally consider a complaint unless a Council has had the opportunity to deal with the complaint itself. So if someone complains to the Ombudsman without having taken the matter up with a Council the Ombudsman will usually refer it back to the Council as a '*premature complaint*' to see if the Council can itself resolve the matter. Of the 18 enquiries, three were deemed to be premature, six resulted only in advice being given and two re-submitted premature complaints and seven new complaints were forwarded to the investigative team to pursue.

- 3.2 The following table provides a summary of the decisions reached by the Ombudsman during the year compared with previous years.

Annex A

Complaint Reason	Division involved 2007/08 and action	Division involved 2008/09 and action	Division involved 2009/10 and action
Action of Employee	1 Public Health 1 Benefits (SI) 5 Development Control 2 Planning Policy	3 Benefits (1 SI and 2 NAT) 1 Customer Services (NAT) 4 Council Tax (3 NAT and 1 SI) 1 Housing (SI) 2 Planning Policy (1 SI and 1 NAT)	2 Council Tax (NAT) 4 Development Mgt (3 NAT, 1 SI) 6 Benefits (2 NAT, 2 SI, 2 FT) 1 Operations (CIS) 1 Env & Comm Health (NAT) 3 Leisure (3 NAT)
Council Policy	3 Council Tax 2 Benefits 4 Housing (NAT) 1 Development Control	1 Benefits (NAT) 7 Council Tax (1 CIS and 6 NAT) 1 Ops (SI)	1 Council Tax (NAT) 3 Benefits (NAT))
Council Procedures	1 Development Control (NAT) 4 Benefits (1 NAT, 2 SI) 1 Business Rates (NAT) 5 Housing (3 NAT) 1 Commercial Team	7 Development Control (4 NAT and 3SI) 1 Benefits (NAT) 2 Council Tax (2 CIS)	4 Development Mgt (3 NAT, 1CIP) 3 Benefits (2 NAT, 1 CIP) 1 Council Tax (NAT) 2 Operations (NAT) 1 Env & Comm Health (NAT)
Equality of Service	1 Housing (NAT) 1 Operational 1 Development Control		1 Council Tax (NAT) 1 Development Mgt (SI)
Failure to Respond			3 Development Mgt (2 CIS, 1 NAT) 1 Planning Policy (NAT) 1 Dev Mgt + CI Tax ((NAT) 1 Env & Comm Health (NAT)
Service Delivery	8 Development Control 3 Operational (CIP) 1 Amenities 2 Benefits (1 SI, 1 NAT) 2 Housing (1 NAT) 4 Council Tax (NAT) 1 Planning Policy	8 Development Control (4 SI and 4 NAT) 2 Ops)1 CIP and 1 NAT) 1 Council Tax (NAT) 4 Benefits (2 NAT, 1 SI and 1 CIS) 1 Housing (CIP)	6 Development Mgt (4 NAT, 1 CIS, 1 SI) 6 Council Tax (4 NAT, 2 CIS) 3 Benefits (3 NAT) 3 Housing (2 NAT, 1 CIS) 5 Operations (4 NAT, 1 CIS) 3 Env & Comm Health (3 NAT) 1 Building Control (NAT)
Total	58	52	67

KEY:

NAT	No Action Taken	RTC	Referral to Contractor
CIP	Change in Procedures	CIS	Change in Service
SI	Staff Instruction	FT	Formal Training

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**LOCAL GOVERNMENT OMBUDSMAN –
LOCAL SETTLEMENT OF COMPLAINT
(Report by the Director of Central Services)**

1. INTRODUCTION

- 1.1 Under the Council's Scheme of Delegation, the Chief Executive, after consultation with the Chairman of the Panel, has the authority to settle locally complaints to the Local Government Ombudsman and to offer compensation of up to a maximum of £1,000. The delegation requires the submission of a report to the next ensuing meeting of the Corporate Governance Panel advising Members of the action taken.
- 1.2 The Ombudsman has recommended the local settlement of a complaint, which involved an application for housing. Details of the case are set out below for the Panel's information.

2. THE COMPLAINT

- 2.1 The case in question related to a complaint that the Council failed to identify and assess the complainant and her family's housing needs and place her in the appropriate banding, which has resulted in her losing out on successfully bidding for houses within the correct banding and has been offered inappropriate houses, which did not meet the needs of her autistic son. The case originated in February 2010 with the submission of a complaint to the Ombudsman.
- 2.2 Having investigated the complaint, the Ombudsman concluded that the Council had made an error in that it had failed properly to upgrade the complainant's housing priority following a medical assessment. The Council has accepted that there was an error in the way the complainant's priority was assessed and has apologised. The Ombudsman has decided that this amounts to maladministration.
- 2.3 The Ombudsman also has found that, as a result of the error, the complainant missed out on being successful on one property. Having received this preliminary view, the Council has agreed that it will endeavour to make a local settlement with the complainant.

3. THE SETTLEMENT

- 3.1 The Ombudsman has suggested that a payment of £500 should be made in recognition of the time and inconvenience to which the complainant has been put in making a complaint and following it up. The Ombudsman deemed this to be a reasonable settlement and one which would obviate the need for further investigation on his part. The Council accepted this recommendation.
- 3.2 The complainant disputed this recommendation but, on review, the Ombudsman confirmed his recommendation.

- 3.3 The Chairman of the Panel has agreed to the recommended payment and this has been made to the complainant. The complaint will be recorded in the Ombudsman's annual statistics as one that has been settled locally.
- 3.4 The process for the assessment of medical information has been reviewed and changed. It now involves a series of checks to ensure that this type of mistake should not happen again.

4. CONCLUSION AND RECOMMENDATION

- 4.1 This case has been settled in accordance with the authority delegated to the Chief Executive, after consultation with the Chairman of the Panel. Under the circumstances, it is

RECOMMENDED

that the Panel note the action taken to settle this complaint in accordance with the Council's Scheme of Delegation.

BACKGROUND PAPERS

File POL/18 held in the office of the Director of Central Services.

Contact Officer: Tony Roberts (01480) 388015