

Public Document Pack

AGENDA

Committee Administrator: Jane Hindhaugh (01609 767016)

Tuesday, 18 March 2014

Dear Councillor,

NOTICE OF MEETING

Meeting **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

Date **Wednesday, 26 March 2014**

Time **9.30 am**

Venue **Main Committee Room, Civic Centre, Stone Cross, Northallerton**

Yours faithfully,

Phillip Morton
Chief Executive

To:	Councillors	Councillors
	J Smith (Chairman)	G W Dadd
	R W Hudson (Vice-Chairman)	Mrs B S Fortune
	D E Adamson	M Rigby
	Mrs C S Cookman	

Other Members of the Council for information

AGENDA

Page No

1. MINUTES
To confirm the minutes of the meeting held on 29 January 2014 (AGS.27 – AGS.33).
2. APOLOGIES FOR ABSENCE
3. LOCAL CODE OF CONDUCT FOR MEMBERS AND OFFICERS DEALING WITH PLANNING MATTERS
Relevant Ward(s): All Wards
1 - 2
4. REGULATION OF INVESTIGATORY POWERS ACT - REVIEW OF ACTIVITY
Relevant Ward(s): All Wards
3 - 4
5. INTERNAL AUDIT PROGRESS REPORT 2013/14
Relevant Ward(s): All Wards
5 - 20
6. STATUTORY AUDITOR - ANNUAL GRANT CLAIMS AND RETURNS 2012/13
Relevant Ward(s): All Wards
21 - 36
7. INTERNAL AUDIT PLAN FOR 2014/15
Relevant Ward(s): All Wards
37 - 46
8. AUDIT, GOVERNANCE AND STANDARDS COMMITTEE - REPORT PROGRAMME FOR 2014/15
Relevant Ward(s): All Wards
47 - 48
9. REVIEW OF ANNUAL TREASURY MANAGEMENT STRATEGY 2014/15
Relevant Ward(s): All Wards
49 - 56
10. INTERNAL AUDIT CHARTER
Relevant Ward(s): All Wards
57 - 70

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Corporate Services

**Subject: LOCAL CODE OF CONDUCT FOR MEMBERS AND OFFICERS DEALING WITH
PLANNING MATTERS**

All Wards

1.0 BACKGROUND:

- 1.1 The Council's constitution contains a Local Code of Conduct for Members and Officers dealing with planning matters. This Local Code supplements the Council's Code of Member Conduct which is of general application. As the name suggests, the Planning Code deals specifically with planning related matters.
- 1.2 In October 2013 the Committee recommended amendments to the Local Code based on advice in "Probity in Planning", guidance published by the Local Government Association.
- 1.3 This report suggests a further amendment to the Local Code.

2.0 SUGGESTED CHANGE:

- 2.1 In October 2013 the Committee amended paragraph 2.11 of the Local Code. This had previously required Members to identify their own planning applications when submitted to the Council. The amendment expanded this to include planning applications made by "relatives" of Members. No definition of "relative" was included because there is no definition in "Probity in Planning". However, in practice, Members wish to know what a "relative" covers and it is therefore recommended that a definitive list of relatives be included in paragraph 2.11.
- 2.2 It is suggested that the following list of close relatives may be sufficient:-

Current spouses or partners of the Member and parents or step-parents, children or step-children, grandparents or grandchildren, siblings or step-siblings of the Member or their current spouse or partner.

3.0 RECOMMENDATION:

- 3.1 It is recommended that the Committee recommend Council to amend paragraph 2.11 of the Local Planning Code by including the definition of relative contained in paragraph 2.2 of this report.

MARTYN RICHARDS

Background papers: None
Author ref: JMR
Contact: Martyn Richards
Director of Corporate Services
Direct Line No: (01609) 767010

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HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Corporate Services

Subject: **REGULATION OF INVESTIGATORY POWERS ACT – REVIEW OF ACTIVITY**
All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The Council, like many public authorities, is governed by the Regulation of Investigatory Powers Act 2000 (RIPA). This Act ensures that public authorities comply with their obligations under the Human Rights Act when undertaking investigations which may interfere with the rights of individuals. The Act introduces safeguards on activities such as surveillance undertaken by public bodies.
- 1.2 The Audit, Governance and Standards Committee has been given responsibility for RIPA matters. This involves the Committee in reviewing the Council's Policy Statement from time to time and receiving quarterly reports on any activities which have been authorised under RIPA.

2.0 RIPA ACTIVITIES:

- 2.1 Although RIPA covers a number of activities undertaken by investigatory bodies (e.g., phone tapping by the Security Services and Police) its principle use in respect of Local Authorities relates to:-
 - covert surveillance, and
 - covert human intelligence sources.
- 2.2 Covert surveillance covers the monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained. RIPA is most relevant to the Council's activities in effecting enforcement procedures such as the investigation and prosecution of offences. This would not normally include the initial investigation of contraventions such as planning enforcement or noise investigations, but would normally involve the later stages where criminal activity was a possibility. Although this could technically include breaches of Planning Enforcement Notices, breaches of Environmental Health Notices, fraud, etc., the Council's use of the powers has been very limited in recent years. For example, the Council has not used authorisations under the Act in the last four years.
- 2.3 Since November 2012 the Council has only been able to use RIPA for directed surveillance for potential criminal activity with a possible penalty of at least six months imprisonment. This means that the Council can no longer use the procedure for low-level offences such as littering, dog control and fly-tipping. For serious offences the Council needs approval from a magistrate before it can use directed surveillance.

- 2.4 Another use of the Act is for the Police to authorise use of the Council's CCTV system for specific operations (general use of CCTV is not covered by the Act because this is not covert surveillance). The Police authorise themselves to use the Council's CCTV system for covert surveillance on approximately two occasions per year.
- 2.5 Covert human intelligence sources relate to the use of a third party to gather information. For example, this could be an informer or someone used to undertake test purchases. This is not an activity that the Council engages in at all. The Council also needs the approval of a magistrate to carry out this activity.
- 2.6 The only area in which the Council very occasionally involves itself where RIPA might be relevant is covert surveillance. It is necessary for the Council therefore to follow the legislation and the requirements of Government Codes of Practice. Most of the requirements of the Code are dealt with at an Officer level. However, Members are expected to approve a Policy on RIPA and to have some involvement in the monitoring of how the Council implements RIPA requirements.

3.0 MONITORING OF RIPA ACTIVITY:

- 3.1 Codes of Practice on RIPA recommend that quarterly reports are made to Members on RIPA activity. Consideration of such reports has been delegated to the Audit, Governance and Standards Committee. This report therefore constitutes one of those reports and is intended to cover the period 1 January – 26 March 2014. There were no authorisations during this period. It is recommended that the Committee note the position.

4.0 RECOMMENDATION:

- 4.1 It is recommended that:-

- (1) it be noted that no RIPA authorisations were made by the Council during the period 1 January – 26 March 2014;

MARTYN RICHARDS

Background papers: HDC RIPA Register of Authorisations

Author ref: JMR

Contact: Martyn Richards
Director of Corporate Services
Direct Line No: (01609) 767010

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Resources

Subject: INTERNAL AUDIT PROGRESS REPORT 2013/14

All Wards

1.0 **PURPOSE AND BACKGROUND:**

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations).
- 1.2 The Audit, Governance and Standards Committee approved the Internal Audit Plan 2013/14 at its meeting held on the 27 March 2013. The purpose of this report is to inform Members of the progress made to date in delivering the 2013/14 Internal Audit Plan and any developments likely to have an impact on the plan throughout the remainder of the financial year.

2.0 **THE REPORT**

- 2.1 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2011 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS) and CIPFA guidance on the application of those standards in Local Government. In accordance with the standards, the Head of Internal Audit is required to report on the results of audit work undertaken, to this Committee.
- 2.2 Within the report there is a summary of progress made against the plan and a summary of the audit opinions for the individual audits completed thus far.
- 2.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

3.0 **CONCLUSION:**

- 3.1 In the period between April and February, inclusive, we have completed **9** out of **17** internal audit reviews to final report stage. A further **2** audits are at draft report stage and **6** other audits are in progress. This represents **53%** of the plan delivered to final report stage and **65%** including draft reports.

4.0 **DECISIONS SOUGHT:**

- 4.1 The Audit, Governance and Standards Committee is asked to consider the work undertaken by internal audit to date.

5.0 **RISK ANALYSIS:**

- 5.1 There are no risks associated with the recommendations in the report.

6.0 **FINANCIAL IMPLICATIONS:**

- 6.1 There are no financial implications associated with the recommendations in the report.

7.0 **LEGAL IMPLICATIONS:**

7.1 There are no legal implications associated with the recommendations in the report.

8.0 **RECOMMENDATIONS:**

8.1 It is recommended that Members note the work undertaken by internal audit in the year to date.

JUSTIN IVES

Background papers:

Author ref: JB

Contact: *John Barnett; Audit Manager; Veritau North Yorkshire;*
John.barnett@veritau.co.uk

Roman Pronyszyn; Client Relationship Manager; Veritau
roman.pronyszyn@veritau.co.uk

Hambleton District Council

Internal Audit Progress Report 2013/14

Period to 28 February 2014

Audits Completed to 28 February 2014	
High Assurance	4
Substantial Assurance	4
Moderate Assurance	0
Limited Assurance	1
No Assurance	0

Audit Manager:
Client Relationship Manager:
Head of Internal Audit:

John Barnett
Roman Pronyszyn
Max Thomas

Circulation List:

Member of the Audit Governance and Standards Committee
Director of Resources (S151 Officer)

Date: 26 March 2014

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to regularly report progress in delivery of the Internal Audit Plan to the Audit, Governance and Standards Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the Internal Audit Plan 2013/14 at their meeting on the 27 March 2013. The total number of planned audit days for 2013/14 is 285. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises progress made in delivering that plan.

Internal Audit Work Carried Out 2013/14

- 3 A summary of the internal audit reports issued is attached at **Appendix A**. This is the third progress report to be received by the committee during 2013/14.
- 3.1 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit Governance & Standards Committee;** this is mainly ongoing through our support and advice to Members. We assist by facilitating the attendance at Committee of managers to respond directly to Members questions and concerns over the audit reports and the actions that managers are taking to implement agreed recommendations.
 - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Dunn & Bradstreet (Credit Rating Agency) in order to confirm the financial robustness of contractors.
 - **Risk Management;** Veritau advise on the Council's Risk Management processes.
 - **Systems Development;** Veritau attend development group meetings in order to ensure that where there are proposed changes and new ways of delivering services, that the control environment is not overlooked which could lead to the Council being exposed.
 - **Investigations;** Special investigations into specific sensitive issues.
- 3.2 As with previous audit reports an overall opinion has been given for each of the specific systems under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in controls identified.
- 3.3 The opinions used by Veritau are provided for the benefit of Members below:

High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.

Moderate Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

3.4 The following categories of opinion are also applied to individual actions agreed with management:

Priority 1 (P1) – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

Priority 2 (P2) – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

Priority 3 (P3) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

3.5 It is important that agreed actions are formally followed-up to ensure that they have been implemented. This is carried out throughout the year with appropriate testing being completed, the results shown in the Summary of Key Issues – Management Actions Agreed, column below.

3.6 In the period between April and February, inclusive, we have completed **9** out of **17** internal audit reviews to final report stage. A further **2** audits are at draft report stage and **6** other audits are in progress. This represents **53%** of the plan delivered to final report stage and **65%** including draft reports.

Table of 2013/14 audit assignments completed

Audit	Status	Audit Committee
<i>Strategic Risk Register</i>		
Shared Service - Advice		
Affordable Housing	Completed ~ Substantial Assurance	March 2014
Local Development Framework	Draft Report	
Community Infrastructure Levy	Completed ~ High Assurance	January 2014
Savings Delivery	Completed ~ High Assurance	March 2014
Information Governance & Data Protection	Completed ~ Limited Assurance	October 2013
Performance Framework	Completed ~ High Assurance	March 2014
<i>Fundamental/Material Systems</i>		
Council Tax/NNDR	In Progress	
Benefits	In Progress	
Creditors	In Progress	
Income/Receipting System	In Progress	
General Ledger	Completed ~ High Assurance	March 2014
Treasury Management	Draft Report	
Capital Accounting	In Progress	
<i>Regularity Audits</i>		
Equalities	Completed ~ Substantial Assurance	October 2013
<i>Technical/Project Audits</i>		
ICT	In Progress	
Workspace	Completed ~ Substantial Assurance	January 2014
<i>Contingency</i>		
- Licensing Charges	Completed ~ Substantial Assurance	October 2013
<i>Follow-Ups</i>		

Summary of Key Issues from audits completed to 28 February 2014; previously not reported

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Affordable Housing	Substantial Assurance	To provide assurance that the controls it has put in place to manage key risks relating to the achievement of local and national targets for affordable housing are effective.	10 February 2014	<p>Strengths It was found that the arrangements for managing risk were very good and that an effective control environment appears to be in operation.</p> <p>Key Weaknesses No key weaknesses identified.</p>	
Savings Delivery	High Assurance	The purpose of the audit was to provide assurance to management that the controls and measures it had put in place to manage key risks relating to Savings Delivery were effective.	19 February 2014	<p>Strengths It was found that the arrangements for managing risk were very good with the processes supported effectively by officers.</p> <p>Key Weaknesses No key weaknesses identified.</p>	
Performance Framework	High Assurance	A review to provide assurance that the framework for managing 'performance' within the Council, is robust.	10 February 2014	<p>Strengths The monitoring and reporting of performance is carried out effectively to a high standard by appropriately trained officers.</p> <p>Key Weaknesses No key weaknesses identified.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
General Ledger	High Assurance	A limited review to provide assurance that the key controls around budget setting, monitoring processes and reconciliations are working as intended and that adequate budgetary control is exercised.	13 February 2014	Strengths There is a good management of risk with officers carrying out the day to day functions in the maintenance of the ledger, effectively. Key Weaknesses No key weaknesses identified.	

Summary of Key Issues from audits completed and previously reported

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Community Infrastructure Levy	High Assurance	The Community Infrastructure Levy allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The audit was to ensure that processes were in place for setting the correct levy.	10 October 2013	Strengths The process for setting the CIL is being efficiently managed and is progressing in line with prescribed requirements. Key Weaknesses No key weaknesses identified.	
Workspace	Substantial Assurance	Within the Workspace Portfolio there are units situated on business parks throughout Hambleton which are	23 October 2013	Regarding credit checks, no opinion has been given as it is the Council's decision which, if any, of the options suggested they decide to use – the most	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<p>available to let. The aim of the units is to help small businesses set up and then move forward.</p> <p>Through discussion, it was agreed that the most value could be added by identifying alternative methods of credit checking potential tenants. Due to the nature of them being start-up businesses, there are often no sets of accounts to check, and no company credit history.</p>		<p>applicable one being the National Landlords Association.</p> <p>Strengths Regarding the controls in operation, it was found that the arrangements for managing risk were good with few weaknesses identified.</p> <p>Key Weaknesses There is a formal procedure for rent reviews, which culminates in a report taken to the Director of Customer Services for authorisation. A view will be taken by the Director and, as long as this is within their area of authority, rents may be amended to reflect the market conditions. In the case reviewed, the amendments were agreed but the authorisation was only verbal rather than written.</p>	
Information Governance & Data Protection	Limited Assurance	To ensure compliance with the Data Protection Act 1998 and in particular, with the 'HMG Information Assurance Maturity Model and Assessment Framework	28 August 2013	<p>Strengths Some assurance could be gained from the security of electronic data as the Council have strict network and system controls in place to ensure only authorised</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Pages 1-14		(IAMM)'. 		Officers can access confidential and sensitive information. In addition, only encrypted devices can be used for external storage and can only be obtained from the IT section, with management approval. Although system and network back ups have posed some significant issues recently, management have reacted accordingly and reduced the risks in this area by strengthening the back up process. Additionally the Council are in the process of updating their Data Protection policy to ensure compliance to the Data Protection Act 1998, this is to reflect the current working practices now that the shared service with Richmondshire DC is no longer in place. Key Weaknesses At present there is no Member involvement for Information Governance and therefore appropriate training has not been given. It is stated in the ‘HMG Information Assurance Maturity Model and Assessment Framework’ that there should be main board	An Information Strategy and Action Plan has been written to address a number of key issues raised in this audit report and are due to go to Management Team for discussion and approval, these include actions to specifically address issues

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>recognition on the importance of information, and board commitment to effective Information Management; at Hambleton this is not currently the case. In addition, it should be ensured that an appropriately trained Senior Information Risk Officer is allocated responsibility for information governance, with a delegated risk owner to assist in each Directorate; this should be clearly stated in all policies.</p> <p>Information Management training has not been carried out for a number of years, it is essential that Officers are adequately trained in this area to avoid inappropriate distribution of information, and sensitive data being stored, issued and disposed of incorrectly. Although the current policy is still in draft and training will be provided once the document is finalised, it is vital that this is done on a timely basis.</p>	<p>in the audit findings:</p> <ul style="list-style-type: none"> the identification of key roles and responsibilities training for Members (and officers) a centralized information register is created indicating data owners and review dates a programme of data quality checks to be introduced <p><i>1 November 2013</i> <i>Update - Completed</i></p> <p>An initial Corporate wide Data Protection training programme has been agreed and will be delivered by Veritau. This commences on the 19th September and will run on a number of sessions until November. <i>Update - Completed</i></p> <p>A communication plan to raise staff awareness of Information Security issues will commence in August 2013. <i>Update - Completed</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>Ongoing revisionary and new starter training in Data Protection and wider Information Security will be delivered by ICT, with a delivery plan to be drawn up. <i>1 November 2013</i> <i>Update - Ongoing</i></p> <p>Currently there is no contract in place for the disposal of confidential waste; the Improvement Manager issued a report to Management Team in February 2013, to address this issue however nothing has been actioned as a result of this. The report outlines the risks that are currently exposed to the Council by not having a contract in place. Currently waste is stored in a 'low security' skip, which is located outside the Council grounds, for up to six months. Although the skip is locked it is not impossible to gain access.</p> <p>The Document Management Policy, which is still in draft, does not include guidance relating to clear desk rules and the importance of sensitive</p>	<p>To meet the requirements identified in this audit and within those of the Fire Risk Assessment, the confidential waste skip is being upgraded to a more secure storage solution. The ongoing requirements for Confidential Waste removal are to be determined by end October. <i>Immediate</i> <i>Update - Completed</i></p> <p>The Information Strategy and Action Plan, also outlines a number of measures to resolve issues in the above findings:</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				information security, or guidance relating to data sharing with other Authorities and 3 rd parties. In addition, the policy does not allocate responsibility for Information Governance.	<ul style="list-style-type: none"> the identification of key roles and responsibilities the requirements for a number of Policies to be reviewed/written to ensure a strong approach to Information Management within the Council updated Document Management and Retention Policy to include electronic data 30 November 2013 Update – completed
Equalities	Substantial Assurance	A review to ensure that the Council is complying with the Equalities Act 2010.	27 August 2013	<p>Strengths Although it is early days with the Equalities policy only being approved in April 2013, management are well aware of the work to be carried out to ensure that compliance with legislation and good practice is achieved and therefore the risks identified, mitigated.</p> <p>Key Weaknesses There is no system in place, within Human Resources, to monitor and report upon officer</p>	An appropriate process will be implemented for monitoring and reporting

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				data to ensure that the Council is adopting the Equalities objectives and complying with policy when recruiting new staff or within the existing establishment. There is also no comparison of data carried out regionally or with industry standard data to ensure the Council is up to date with equalities and the Equalities Act 2010.	new starter and employee data to ensure corporate objectives are being achieved and the Council is compliant with the Equalities Act 2010. <i>1 March 2014</i>
Licensing	Substantial Assurance	A European Directive (from 2010) states that "charges which a Council imposes on applicants/licensees under an authorisation scheme must be proportionate and reasonable in the circumstances to the fees or costs payable under the provision of the scheme". Following High Court action against Westminster Council the Local Government Association briefing recommended that "Councils take the opportunity to ensure that all locally set licence	19 August 2013	The Council is already in the process of ascertaining the cost of each type of licence in order that they are an accurate representation of the cost of work involved.	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<p>fees are based on an up to date cost recovery approach which is established and regularly reviewed in a transparent manner that can be understood by both businesses and residents”.</p> <p>The review was to ensure that licence fee setting arrangements within HDC are compliant with the European Directive and UK legislation.</p>			

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HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Resources

Subject: **STATUTORY AUDITOR – ANNUAL GRANT CLAIMS AND RETURNS 2012/13**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to present to Members the statutory auditor's Annual Grant Claims and Returns Report for 2012/13 which is attached at Annex A.
- 1.2 The Report summarises the work which the Council's statutory auditors have undertaken in certifying the Council's major grant claims and returns in relation to the financial year 2011/12.

2.0 RISK ANALYSIS:

- 2.1 There are no risks associated with consideration of this report. However, if this report was not considered the Committee would not be fulfilling its terms of reference and would not have the opportunity of commenting on the statutory auditor's work in respect of grant claims for 2012/13.

3.0 RECOMMENDATION:

- 3.1 It is recommended that Members receive the statutory auditor's Certification of Claims and Returns 2012/13 Annual Report.

JUSTIN IVES

Background papers: Certification of Claims and Returns 2011/12 Annual Report

Author ref: JI

Contact: Justin Ives
Director of Resources
Direct Line No: 767022

260314 Stat Auditor - Annual Grant Claims Report

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Hambleton District Council

Certification of claims and returns 2012/13

Annual Report

February 2014

Contents

Executive summary	2
1. Grant claims and returns certified for 2012/13	3
2. Adjustments and qualification letters issued	4
3. Commentary on housing and council tax benefit claim	5
4. Observations and recommendations arising from our certification work	7
5. Closing remarks	10
Appendix 1: Analysis of certification fees	11

Executive summary

We have pleasure in setting out in this document our report to the Audit, Governance and Standards Committee of Hambleton District Council (“the Council”) on our certification work for the year ended 31 March 2013. This report summarises the principal matters that have arisen from our work. It is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention.

This year only two items have required certification, being the housing and council tax benefit subsidy claim and the National non-domestic rates return (“NNDR”).

The NNDR return was certified with no matters to report.

However the housing and council tax benefit subsidy claim testing revealed a number of errors of both underpayment and overpayment of benefit, across all three types of benefit. The individual errors ranged from a few pence to £768 and for periods of a few days to several months. Overall the claim was only adjusted by £2,822 and a qualification letter was submitted to the Department for Work and Pensions (“DWP”) setting out the various errors found.

Given the nature of the benefits system, with a high volume of low value transactions, there will always be an element of human error. This year revealed a similar number of errors as the prior year. None of the errors found this year highlight any significant control weaknesses, rather a series of human errors which appear to indicate continued pressure on resources rather than a lack of knowledge or skills.

There is a risk that the errors noted in the qualification letter could be used by DWP to reclaim an element of subsidy so it is important to understand and address the errors found - subsequent to our qualification letter, DWP have added the extrapolated errors to the original LA errors noted on the claim form and have requested the repayment of £44,292 subsidy previously received by the Council.

More detail on our testing and the errors noted can be found in section 3 and our specific recommendations can be found in section 4.

1. Grant claims and returns certified for 2012/13

The following claims and returns have been certified and delivered to the appropriate authorities within the relevant deadlines:

Claim or return	Value of claim/ return	Date received	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Housing and council tax benefit	£23.0m	15/07/13	28/11/13	29/11/13	Yes	Yes
National non-domestic rates return	£25.6m	15/08/13	23/09/13	27/09/13	No	No

Notes

- All claims with a project lifetime value of over £125,000 require certification by the auditors.
- Section 2 provides details of adjustments and qualifications required.
- An analysis of certification fees is shown in Appendix 1 to this letter.

2. Adjustments and qualification letters issued

The following adjustments have been made prior to certification by the auditors and one qualification letter has been issued.

Adjustments

- The housing and council tax benefit subsidy claim required several minor adjustments giving rise to an overall increase in the claim of £2,822 – see section 3 for commentary on the housing and council tax benefit subsidy claim.

Qualification letter issued

- A letter was issued in respect of the housing and council tax benefit subsidy claim. Six different categories of error were reported in this year's letter to the Department for Work and Pensions (2011/12: seven categories). Where errors cannot be adjusted in the claim form, they are extrapolated from the testing sample across the whole benefit population. The total extrapolated error reported in the letter was £25,872. If this amount is added to the previously reported LA error of £91,068 then the lower threshold for subsidy payable on LA errors would be breached and only 40% subsidy would be available on the resulting £116,940 LA error. This would result in a loss of subsidy of £44,292 and this is the amount that DWP have requested be repaid.

3. Commentary on housing and council tax benefit claim

Certification approach

- Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2013 instructions, a Modular Approach was used to certify the claim. A planning meeting was held with key Council benefits staff in June 2013.
- The “system parameters” specified by the National Audit Office (ie this year’s benefit rates and allowances) were agreed to those in use at the Council. This work was partially performed at a preliminary stage in early June 2013.
- Electronic workbooks supplied by the Audit Commission were used to test a sample of cases for each of the three relevant benefit types (non-HRA rent rebates, rent allowances and council tax benefit) for the Council. A sample of 20 was used for rent allowances and council tax benefit. The number of cases tested for non-HRA rent rebates was reduced to 7 as a result of the small population for this type of benefit.
- In total our work took 32 days, the same as last year. Further details are given below.
- Where errors are found in our initial testing, the certification instructions require extended testing of a further 40 cases (for populations over 100 cases) or 100% of cases (for populations under 100 cases) in the specific area of the error. Extended testing is performed in each instance where an initial error is found, and where prior year errors were found, and extended samples are combined wherever possible to minimise the number of cases tested. This year seven sets of extended testing were performed (2011/12: seven sets).
- A review of the Northgate software controls was also performed.

3. Commentary on housing and council tax benefit claim (continued)

Summary of findings

- Our initial testing of 47 cases noted two errors (2011/12: ten errors) across all three benefit types.
- As a result of the errors found in our initial testing, one set of extended testing was required and a further one error was noted as a result of this extended testing.
- Furthermore, testing is required in areas where errors were found in the prior year and this testing noted a further fourteen errors.
- There were instances of both underpayment and overpayment of benefit in the errors noted above, ranging from a few pence to £768 and from a few days to several months.
- The following is a summary of the errors noted in our combined testing:
 - incorrect start date used for four non-HRA cases;
 - incorrect income details recorded/calculated for three council tax and four rent allowance cases;
 - incorrect rent expense details recorded/calculated for three rent allowance cases;
 - incorrect recording of VAT on rent expense for two homeless cases; and
 - incorrect uprating of war pension, by date, for several cases in receipt of war pension.

Looking forward – 2013/14

For 2013/14 the national Council Tax Benefit scheme has been replaced with a local Council Tax Reduction policy and therefore the certification of the Housing Benefit Subsidy grant in 2013/14 will no longer cover expenditure on payments relating to Council Tax. See related observation in section 4.

At the time of writing this report, there have been no other changes announced by the Audit Commission. However, there are usually some minor amendments to the certification instructions each year and we will keep you informed of any significant changes that are announced in the future.

4. Observations and recommendations arising from our certification work

Housing and council tax benefit subsidy claim - follow up on prior year matters raised

	Recommendation in 2011/12	Resolved in 2012/13?
1	<p>It has taken several months to conclude this year's work. This appears to be due to lack of available resource in the benefits team to investigate errors found in our testing and to carry out the extended testing required.</p> <p>Testing required in 2012/13, as a result of errors arising in 2011/12, has already been notified to the benefits team management and it is recommended that this testing is performed over the next three months to reduce the pressure on staff during the summer certification work.</p>	<p>Additional resources were allocated to the Benefits section to specifically work on this area.</p>
2	<p>When assessors run checks on CIS for whether a benefit is income based or contributions based, a copy of that screen shot should be filed together with the main award list page from the CIS system. This will ensure that backing documentation is retained to support the income used in the subsidy calculation.</p>	<p>We noted that staff training had been improved in this area and CIS screen prints were filed to support figures used in calculations in the sample cases tested.</p>
3	<p>Assessors should take care when assessing homeless cases to determine whether the rent includes VAT or not. If rent includes VAT this should be deducted from the rent amount and benefit should not be paid on the VAT element. Consistency could also be improved with respect to rent documentation for the homeless cases received from the housing department. In a few instances we found that the VAT element was not always specified and other cases where the weekly and daily rents did not correspond across documentation.</p> <p>The lack of accurate and consistent documentation increases the risk of error.</p>	<p>Staff training has been provided in this area and only two errors of this nature were found this year.</p> <p>Staff should continue to be made aware of the need to accurately and consistently document where VAT is included in homeless claims.</p>

4. Observations and recommendations arising from our certification work (continued)

Housing and council tax benefit subsidy claim - current year matters raised

	Observation and recommendation in 2012/13	Management response
1	<p>The level of internal quality checks has diminished in recent years since DWP no longer require a specific level of checking. This increases the risk of error in calculating benefit subsidy.</p> <p>The quality checking process could be improved with more focussed checks and the results of checking could feed into the training program to pinpoint areas of improvement for individual assessors and the service as a whole.</p> <p>We recommend the authority adopts a risk based claims checking process, spreading across assessors, new claims and changes in circumstances, and focusing on different, higher risk aspect of claims.</p>	<p>The new position of Benefit Technical officer role has some responsibility for carrying out checks. New procedures are being developed and will focus on those areas highlighted in the audit CAKE testing such as start dates and assessment of income where the risk of error is higher (earnings and pensions income) along with the tenancy type classification codes and rent and service charges to ensure the correct entitlement is paid. It will also identify non-financial errors. Accuracy target of 97%.</p>
2	<p>The Council is assessed on the level of Local Authority (LA) error arising from processing claims and subsidy is available for Councils which minimise this type of error. In the 2012/13 final claim, the Council was entitled to subsidy on 100% of the LA error of £91,068. If the level of LA error increased above £106,217, the Council would have lost 60% of this subsidy (£54,641); and above £119,494, 100% of this subsidy would be lost. Note, these thresholds vary year on year, depending on the level of benefit expenditure.</p> <p>DWP have demonstrated their intention to follow up on qualification letters and have requested repayment of £44,292 from the 2012/13 subsidy claim because the lower threshold was breached when the extrapolated errors are taken into account.</p> <p>We recommend the Council monitors its position against these thresholds going forward, and considers investing in additional resources to protect the LA error subsidy it currently receives.</p>	<p>This is the first year in which the Council has not received a 100% subsidy of the LA error. The change is due to the errors found by the Audit team and therefore would be difficult for the LA to predict even with quality checking as the LA may not identify the same level of error and if errors were found it may not have the same impact because of the threshold levels. However this will be monitored via the quarterly subsidy review. Performance levels are monitored and where backlogs occur action is taken to improve the processing times thereby reducing the amount of any potential overpayment.</p>

4. Observations and recommendations arising from our certification work (continued)

Housing and council tax benefit subsidy claim - current year matters raise (continued)

	Observation and recommendation in 2012/13	Management response
3	<p>The supporting evidence for rent of board and lodging accommodation is inconsistent for the same properties, in terms of the services noted as included and whether VAT is included in the rent charge. This is because Homelessness Officers must construct a new rent evidence for each placement, when much of the data is consistent for every placement in a property, and this increases the risk of error in calculation.</p> <p>We recommend the authority adopts a standard pro-forma for rent evidence for each property used by the Homelessness teams, which clearly sets out which services are included in the rent, and whether VAT is charged.</p>	Agreed – new template to be put into place.
4	<p>Following the replacement of the national Council Tax Benefit scheme with a local Council Tax Reduction policy, the certification of the Housing Benefit Subsidy grant in 2013/14 will no longer cover expenditure on payments relating to Council Tax. Members should consider how they are gaining assurance that the Council Tax Reduction scheme is being administered in line with the agreed policy.</p>	This has been discussed with Veritau and is part of the internal audit program work for 2013.14.

5. Closing remarks

This report has been discussed and agreed with the Director of Resources of the Council. A copy of the report will be presented at the next Audit, Governance and Standards Committee meeting.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the certification work.



Deloitte LLP

Chartered Accountants

4 February 2014

The matters raised in this report are only those that came to our attention during our certification work and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the certification methodologies as they are derived solely from the Audit Commission.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Appendix 1: Analysis of certification fees

Claim or return	2012/13 £'000	2011/12 £'000
Housing and council tax benefit subsidy claim (to be confirmed by Audit Commission)	17.0	28.5
National non-domestic rates return	2.6	4.3
Total	19.6	32.8

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HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Resources

Subject: INTERNAL AUDIT PLAN 2014/15

All Wards

1.0 **PURPOSE AND BACKGROUND:**

1.1 The Audit, Governance and Standards Committee has responsibility for overseeing the work of internal audit, and agreeing the plan of work to be undertaken on its behalf by the Council's Internal Auditors in line with good practice. In accordance with the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards internal audit is required to prepare an audit plan on at least an annual basis.

1.2 The plan is explicitly aligned to the Council's Strategic Risk Register. This accords with commonly accepted good practice and will enable members of the audit committee and the management team to satisfy themselves that internal audit activity is focused on the main risks to the Council. Veritau also uses its own risk based assessment in developing the audit plan. The audit plan is a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.

1.3 The plan has a total value of 285 days for 2014/15.

2.0 **DECISIONS SOUGHT:**

2.1 The Audit, Governance and Standards Committee is asked to approve the proposed Internal Audit Plan for 2014/15.

3.0 **RISK ANALYSIS:**

3.1 There are no risks associated with the recommendations in the report.

4.0 **FINANCIAL IMPLICATIONS:**

4.1 There are no financial implications associated with the recommendations in the report.

5.0 **LEGAL IMPLICATIONS:**

5.1 There are no legal implications associated with the recommendations in the report.

6.0 **RECOMMENDATIONS:**

6.1 It is recommended that the Internal Audit Plan 2014/15 be approved.

JUSTIN IVES

Background papers: Internal Audit Plan 2014/15

Author ref: JB

Contact:

***John Barnett; Audit Manager; Veritau North Yorkshire;
John.barnett@veritau.co.uk***

***Roman Pronyszyn; Client Relationship Manager; Veritau
roman.pronyszyn@veritau.co.uk***

Hambleton District Council

Internal Audit Plan 2014/15

Audit Manager:
Client Relationship Manager:
Head of Internal Audit:

John Barnett
Roman Pronyszyn
Max Thomas

Circulation List:

Member of the Audit, Governance & Standards Committee
Chief Executive
Director of Resources - S151 Officer
Management Team

Date: 26 March 2014

Introduction

- 1 This document sets out the planned 2014/15 programme of work for internal audit, counter fraud and risk management provided by Veritau for Hambleton District Council.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.
- 3 The plan is explicitly aligned to the Council's Strategic Risk Register. This accords with commonly accepted good practice and will enable members of the audit committee and the management team to satisfy themselves that internal audit activity is focused on the main risks to the Council. Veritau also uses its own risk based assessment in developing the audit plan. The audit plan is a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 4 The content of the audit plan has been subject to consultation with directors and other senior officers and is submitted for formal approval by the Audit, Governance and Standards Committee who are also responsible for monitoring progress against the plan. Changes to the plan are agreed through the Council's client management arrangements and are notified to the committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 5 The plan is based on a total commitment of 285 days for 2014/15.

2014/15 Audit Plan

- 6 The Audit Plan for 2014/15 is intended to reflect the impact of the savings that the Council needs to make over the coming years. Where possible, it also seeks to identify areas where further savings can be made by aligning operational controls more closely with the identified risk appetite and to provide assurance that the controls used to reduce risk to within the risk appetite are effective.
- 7 The plan has been structured into a number of sections:-
 - **Strategic Risk Register;** this work involves reviewing the action taken, or to be taken, in managing the key risks to the Council.
 - **Fundamental/Material Systems;** to provide assurance on the key areas of financial risk. This helps support the work of the external auditors and provides assurance to the Council that risks of loss are minimised.
 - **Regularity Audits;** to provide assurance on those areas identified through Veritau's risk based assessment. Although not identified as a key corporate risk to the Council, they are recognised as key service risks.
 - **Technical/Projects;** to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally effect the delivery of services.
 - **Client support & Advice;** Work we carry out to support the Council in its functions.

- **Other;** An allocation of time to allow for unexpected work and the follow up of work we have already carried out, ensuring that agreed actions have been implemented.

8 Details of the 2014/15 plan are set out in Appendix A

Internal Audit Plan 2014/15

Strategic Risk Register

Risk No	Risk	Audit	Scope	Days
	Strategic Risk Register			
416	Significant reductions in government grant leading to the inability to sustain council services at the current level	Savings Delivery <i>Linked to 'fundamental' systems</i>	Review the progress in achieving the aims in the savings delivery plan(s) with the Council's ongoing programme for service delivery and savings reviews.	8
227	Unable to access HDC services due to ineffective individual business continuity plans and emergency leading to poor customer satisfaction and loss of reputation	Business Continuity/Disaster Recovery	To ensure compliance with the Civil Contingencies Act 2004 and established business continuity and disaster recovery procedures.	12

Fundamental/Material Systems Audits

Audit	Scope	Days
Council Tax/NNDR	To review the key risks/controls for the setting and collection of local tax	15
Sundry Debtors	A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements	10
Benefits	To review the key risks/controls involved in awarding and paying benefits including the Council Tax Support Scheme	15
Creditors	To review the key risks/controls surrounding the payment of Creditors invoices	12
Income/Receipting System(s)	To review the key risks/controls surrounding the receipting and balancing of monies received	10
Payroll	A review of the payroll system and controls associated with payroll processing	8
General Ledger (budgetary control & reconciliations)	A review of the budget setting, monitoring processes and reconciliations within the General Ledger including journals	15
Treasury Management	Completed 2013/14	-
Capital Accounting/Asset Management	To review the treatment of assets and capital expenditure, ensuring they are in line with established accountancy policies and best practice guidelines	12

Regularity Audits

Audit	Scope	Days
Risk Management Process	A review of overall council risk management arrangements as required by the Public Sector Internal Audit Standards	10
Fleet Management	To review the processes around the procurement, running and disposal of Council vehicles	12
Tax Management	A review of key controls to ensure compliance with VAT accounting requirements.	8
Partnerships/Contracts	To provide assurance that appropriate governance arrangements, including 'data sharing', are in place, for identified partnerships and that those partnership are achieving the required strategic and business objectives	12
Leisure Centres	To provide assurance that key risks are managed in line with legislation and Council procedures.	20
Taxi Licensing	To provide assurance that licence fees are in line with legislation and risks within the system(s) are adequately controlled	7
Safeguarding Children	To provide assurance that the provisions, under Section 11 of the Children's Act 2004 - to ensure that the Council is fully engaged in it's Safeguarding responsibilities, - are adhered too.	5

Technical/Project Audits

Audit	Scope	Days
ICT	To review 'disaster recovery' arrangements, physical/environmental security of servers and other key network infrastructure and Members IT arrangements	15

15

Client Support & Advice

Area	Days
Financial Appraisals	5
Committee Prep & Attendance inc AGS	15
External Audit Liaison	3
Miscellaneous Advice	4
Member & Officer Training	3
Corporate Issues (inc audit planning and client liaison)	11

41

Other

Area	Days
Contingency	25
Follow Ups	13

38

285

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Resources

Subject: **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE - REPORT
PROGRAMME 2014/15**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to identify those reports which the Committee wishes to receive on a structured basis.
- 1.2 The Committee meets five times per year and with this in mind, and based upon the work of the Committee since its inception in March 2006, Annex A is a suggested programme of reports that the Committee could consider. This would not, of course, prevent the Committee from considering ad hoc reports on other matters within the terms of reference for the Committee.

2.0 DECISIONS SOUGHT:

- 2.1 Members are asked to confirm those reports that it wishes to receive on a structured basis.

3.0 RISK MANAGEMENT:

- 3.1 There are no risks associated with approval of this report. The report will ensure that the Committee receives reports in a timely manner on those issues that are key to the Committee's terms of reference. Approval of a programme of reports is considered as best practice and will enable the work of the Committee to be spread out over the next financial year in a structured way.
- 3.2 The risk of not approving the report is that issues of relevance are not brought to the Committee's attention in a timely manner.

4.0 RECOMMENDATIONS:

- 4.1 It is recommended that Members approve the Report Programme set out at Annex A.

JUSTIN IVES

Background papers: None

Author ref: JI

Contact: Justin Ives
Director of Resources
Direct Line No: (01609) 767022

260314 ReportProg2014.15

**PROPOSED REPORT PROGRAMME FOR
AUDIT, GOVERNANCE AND STANDARDS COMMITTEE 2014/15**

JUNE - 1ST QUARTER

1. RIPA Update
2. Annual Internal Audit Report 2013/14
3. Annual Governance Statement for 2013/14
4. Annual Report to Cabinet on the Committee's Activities for 2013/14
5. Annual Report on Counter Fraud and Anti-Corruption for 2013/14
6. Debt Statistics 2013/14
7. Statutory Auditor – Quarterly Update
8. Accounts & Audit (Reg 6) Review of the Effectiveness of Internal Audit

SEPTEMBER - “SPECIAL”

1. Statement of Accounts for 2013/14
2. Statutory Auditor – Annual Audit Letter – Accounting and Internal Control Systems 2013/14

OCTOBER - 2ND QUARTER

1. Rolling Review of Constitution
2. RIPA Update
3. Internal Audit Q1+ Report 2014/15
4. Annual Review of Risk Management Strategy (Including a Review of the Process, the Policy Statement and the Risk Management Guidance Manual)
5. Annual Review of Audit and Governance Committee's Terms of Reference
6. Statutory Auditor – Quarterly Update

JANUARY - 3RD QUARTER

1. Rolling Review of Constitution
2. RIPA Update
3. Statutory Auditor – Annual Audit & Inspection Letter 2013/14.
4. Internal Audit Q2+ Report 2014/15
5. Statutory Auditor – Quarterly Update
6. Annual Review of the Audit Vision and Charter

MARCH - 4TH QUARTER

1. Rolling Review of Constitution
2. RIPA Update
3. Internal Audit Q3+ Report 2014/15
4. Accounts & Audit (Reg 6) Review of the Effectiveness of Internal Audit
5. Statutory Auditor – Quarterly Update Report
6. Internal Audit Plan for 2015/16
7. Reporting Programme for 2015/16
8. Review of Annual Treasury Management Strategy 2015/16
9. Statutory Auditor – Annual Grant Claims and Returns 2013/14

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Resources

Subject: REVIEW OF ANNUAL TREASURY MANAGEMENT STRATEGY 2014/15

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to give the Committee an opportunity to review the Council's Treasury Management Strategy for the forthcoming financial year 2014/15.
- 1.2 The collapse of the Icelandic banks in October 2008 highlighted the large sums of public money on deposit with financial institutions outside as well as inside the UK. A total of 127 local authorities had investments totalling £954m in one or more of the Icelandic banks (Hambleton was not one of them).
- 1.3 Following the collapse and in accordance with the Audit Commission's recommendations in their subsequent report "Risk and Return – English local authorities and the Icelandic banks" Cabinet agreed that the Council's Annual Treasury Management Strategy should be subject to Member scrutiny and that the scrutiny be fulfilled by the Audit and Governance Committee. This scrutiny role is now within the Committee's terms of reference.
- 1.4 Attached as Appendix 1 is the "2014/15 Capital Programme Budget, Treasury Management Strategy Statement and Prudential Indicators 2014/15" report which was approved by Cabinet at its meeting on 11 February 2014.
- 1.5 Paragraph 3.3 of the Cabinet report summarises the proposed strategy for 2014/15 as:-

The Council is debt free and it is anticipated that no borrowing will occur during 2014/15 or subsequent years;

The minimum revenue provision policy is defined but due to the Council being debt free no minimum revenue payments are required to be made.

The Council continues with its investment priority as being the security of capital and also liquidity of its funds, whilst maximising returns commensurate with risk;

Investment of surplus funds can be made to other local authorities, nationalised banks, banks which are part of the UK banking system support package, as well as other UK banks and building societies, subject to the application of Capita Asset Services' credit worthiness criteria;

Investments of surplus funds can be made in foreign banks and institutions of AAA sovereign rated countries subject to Capita Asset Services' credit worthiness criteria; Limits for all investments to be placed with specified and non specified investments are:

Individual Limits – These limits will be set at 30% of total investments or £3.0m per counterparty whichever is the higher. There are two exceptions to this policy:

- (a) with counterparties that are backed by the Government – Bank of Scotland, Royal Bank of Scotland, Lloyds, Natwest, Ulster Bank – (and therefore are more secure) there will be a 50% limit or £12m per counterparty which ever is the higher.

- (b) with the Debt Management Agency Deposit there will be an unlimited amount with this organisation due to its high level of security.

Group Limits – this policy recognises that individual counterparties (banks/financial institutions etc), whilst being sound in themselves, may be part of a larger group. This brings with it added risks where parent institutions may be in difficulties. However, if the group limit was the same as the individual limit it would be too restrictive for the placing of investments when applied to our list of approved counterparties. This policy therefore sets the group limit at 60% of fund value. Individual limits for any counterparty within the group will be as stated above. There is one exception to this policy

- (a) where the group is for Government backed institutions the group limit will be 80% of the fund value.

2.0 RISK MANAGEMENT:

- 2.1 There are no risks associated with approval of this report. The report will ensure that the Committee fulfils its terms of reference and more importantly scrutinises a key policy of the Council.
- 2.2 The risk of not approving the report is that the Council has an inappropriate Treasury Management Strategy and that funds may be put at risk or returns on investments are reduced.

3.0 RECOMMENDATION:

- 3.1 It is recommended that Members review the Council's Treasury Management Strategy for 2014/15 and make any appropriate recommendations to Cabinet.

JUSTIN IVES

Background papers: None

Author ref: JI

Contact: Justin Ives
Director of Resources
Direct Line No: (01609) 767022

260314 Review Treas Man Strat

AGENDA ITEM NO: 5**HAMBLETON DISTRICT COUNCIL**

Report To: Cabinet
11 February 2014

Subject: 2014/15 CAPITAL PROGRAMME BUDGET, TREASURY MANAGEMENT
STRATEGY STATEMENT AND PRUDENTIAL INDICATORS 2014/15

All Wards

Portfolio Holder for Resources: Councillor R Kirk

1.0 PURPOSE AND BACKGROUND:

- 1.1 The 10 year Capital Programme 2014/15 to 2023/24 was approved at Cabinet on 3 December 2013, following the approval by Cabinet of the Financial Strategy 2014/15 to 2023/24 on 5 November 2013. It is a legal requirement to ensure that the capital programme is affordable, sustainable and prudent over a 3 year period and the Financial Strategy sets the fiscal parameters for funding the capital programme over 10 years. The financial strategy ensures that there are sufficient reserve funds and capital receipts available over a 10 year period so that the Council can continue with its principle of not borrowing to finance capital expenditure.
- 1.2 The Treasury Management Strategy Statement includes the annual investment strategy and the minimum revenue policy statement and ensures that the funding of the capital programme is affordable, sustainable and prudent. The Treasury Management Strategy manages the cash flow position of the council on a long and short term basis to ensure that cash is available when needed and surplus funds are invested in with low risk counterparties (ensuring security of funding is key), providing adequate liquidity, whilst also considering investment return.
- 1.3 The capital programme and treasury management strategy are monitored through the setting of the Prudential and Treasury Management Indicators on an annual basis prior to the beginning of the new financial year.
- 1.4 This report seeks approval for
 - (a) the capital programme for the coming financial year 2014/15, which is informed by the 10 year capital programme
 - (b) the revised 10 year capital programme 2014/15 to 2023/24
 - (c) the treasury management strategy statement 2014/15
 - (d) the prudential and treasury indicators 2014/15

2.0 2014/15 CAPITAL PROGRAMME BUDGET

- 2.1 The 10 year capital programme 2014/15 to 2023/24 approved by Cabinet on 5 November 2013 detailed capital expenditure at £13,168,155 which was funded by reserves, contributions and capital receipts of £15,656,453. This showed that the 10 year capital programme was affordable sustainable and prudent over a 10 year period, leaving a balance of funding of £2,488,298.
- 2.2 Since the approval of the 10 year capital programme, the 2013/14 capital expenditure has reduced, further capital receipts / contributions are estimated to be received and increased schemes have been included in the 2014/15 capital programme. Therefore the 10 year

capital expenditure stands at £13,208,155 an increase of £40,000 which is to be funded from £16,494,209, leaving a balance of funding of £3,286,054.

- 2.3 The increase of £40,000 capital expenditure in 2014/15 is reflected in the decision made by Cabinet on 3 December 2013 to include the installation of a backup generator at the civic centre. It should also be noted that the 2014/15 capital expenditure has reduced by £63,000 and moved to a future year in the 10 year capital plan as the Bedale Station and Pedestrian Bridge scheme will not occur during the next financial year.

- 2.4 The 10 Year Capital programme 2014/15 to 2023/24 splits the capital programme into 3 sections which relate to the reserve funding of the capital programme:

	£
Repairs and Renewals Fund	5,850,155
Computer Fund	2,843,000
Capital Receipts Reserve	<u>4,515,000</u>
	13,208,155

- 2.5 The capital programme 2014/15 totals 1,985,350 and is funded from the 3 reserves as follows:

	£
Repairs and Renewals Fund	766,350
Computer Fund	475,000
Capital Receipts Reserve	<u>744,000</u>
	1,985,350

- 2.6 The capital programme 2014/15 is attached at Annex A. This details the capital expenditure cost and also the total cost to the Council, along with associated funding received from third parties in respect of the schemes. In addition, where a scheme appears for a number of years, an estimation of the costs in future years is also given.

- 2.7 All schemes have been assessed to allow a considered and informed judgement to be made in respect of the Value for Money of each scheme. It is believed that each scheme does represent value for money. The reasons for this judgement are detailed below:-

each scheme contributes towards the attainment of a particular Business Plan target and a number have clear community benefits;
a number of schemes generate ongoing revenue savings;
although the cost of each scheme is indicative, prior to implementation each scheme will follow the Council's procurement process to ensure best value is achieved;
each scheme has a clear completion date.

- 2.8 A proposal form for each scheme giving evidence of how value for money has been obtained will be presented to Cabinet in March 2014.

- 2.9 The 10 year Capital Programme approved by Cabinet on 3 December 2013, the 2014/15 capital programme, will be used to inform the Treasury Management Strategy and the calculation of the prudential indicators for approval by Cabinet and Council on 18 February 2014 along with the Council Tax Setting report.

3.0 2014/15 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS

- 3.1 The Treasury Management Strategy sets out a framework for how the Council will manage its investments, cash flows and borrowings for 2014/15. The Treasury Management Strategy Statement including the annual investment strategy, the minimum revenue provision policy statement and Prudential and treasury management indicators is attached at Annex B. Specifically the treasury management strategy:

Sets out the statutory and regulatory requirements of the Local Government Act 2003, the CIPFA (Chartered Institute of Public Finance and Accounts) Prudential Code, the CIPFA Treasury Management Code of Practice and the Communities and Local Government Minimum Revenue Provision Guidance and also Investment guidance;
Identifies reporting arrangements and responsibilities;
Clearly states that the Council's priority for investment are the security of capital, whilst also considering liquidity and rate of return;
Identifies the type and the limits for investments and counterparties with which those investments can be placed as well as the maximum duration of the investment

- 3.2 Approval of the Treasury Management Strategy Statement is required by the Local Government Act and code of Practices as detailed above and advice has been taken from the Council's Treasury Management advisors, Capita Asset Services, in constructing this strategy.
- 3.3 The Treasury Management Strategy Statement for 2014/15 reflects the improved stability of the banking sector and the support given by national governments, as well as a more risk averse approach to the system of credit ratings. The proposed Strategy can be summarised as follows:

The Council is debt free and it is anticipated that no borrowing will occur during 2014/15 or subsequent years;
The minimum revenue provision policy is defined but due to the Council being debt free no minimum revenue payments are required to be made.
The Council continues with its investment priority as being the security of capital and also liquidity of its funds, whilst maximising returns commensurate with risk;
Investment of surplus funds can be made to other local authorities, nationalised banks, banks which are part of the UK banking system support package, as well as other UK banks and building societies, subject to the application of Capita Asset Services' credit worthiness criteria;
Investments of surplus funds can be made in foreign banks and institutions of AAA sovereign rated countries subject to Capita Asset Services' credit worthiness criteria;
Limits for all investments to be placed with specified and non specified investments are:

Individual Limits – These limits will be set at 30% of total investments or £3.0m per counterparty whichever is the higher. There are two exceptions to this policy:

- (a) with counterparties that are backed by the Government – Bank of Scotland, Royal Bank of Scotland, Lloyds, Natwest, Ulster Bank – (and therefore are more secure) there will be a 50% limit or £12m per counterparty which ever is the higher.
- (b) with the Debt Management Agency Deposit there will be an unlimited amount with this organisation due to its high level of security.

Group Limits – this policy recognises that individual counterparties (banks/financial institutions etc), whilst being sound in themselves, may be part of a larger group. This brings with it added risks where parent institutions may be in difficulties. However, if the group limit was the same as the individual limit it would be too restrictive for the placing of investments when applied to our list of approved counterparties. This policy therefore sets the group limit at 60% of fund value. Individual limits for any counterparty within the group will be as stated above. There is one exception to this policy

- (a) where the group is for Government backed institutions the group limit will be 80% of the fund value.

- 3.5 The Treasury Management Strategy Statement 2014/15 also includes the revised Treasury Management Policy Statement which is attached at Annex C and is recommended to be approved by Cabinet and Council in accordance with the revised CIPFA Treasury Management Code of Practice 2011.
- 3.6 The Scheme of Delegation and the Role of the S151 Officer (Director of Resources) in relation to treasury management details that those charged with governance are responsible for treasury management activities within the organisation, this is attached at Annex D and is recommended to be approved by Cabinet and Council
- 3.7 The Prudential and Treasury Management Indicators are detailed in the main body of the Treasury Management Strategy Statement attached at Annex B. It is recommended the Prudential and Treasury Management indicators are approved by Cabinet and Council.

4.0 LINK TO COUNCIL PRIORITIES:

- 4.1 This report links to the efficient use of Council resources, where the capital programme 2014/15 demonstrates value for money in the implementation of the individual capital schemes and the treasury management strategy statement ensure the Council maximises its return on investments. Both the capital programme and treasury management allow more resources to be freed up to invest in the Council's other priorities, values and imperatives.

5.0 RISK ASSESSMENT:

- 5.1 There are two main risks associated with setting the capital programme and the treasury management strategy statement 2014/15:

Risk	Implication	Prob	Imp	Total	Preventative action
Proposed capital schemes for 2014/15 are not assessed for risk prior to the commencement of the schemes	The Council is unable to control capital expenditure or redirect resources to priority areas	3	5	15	Capital Scheme Proposal Forms are prepared for each individual capital scheme, including the assessment of risk and are attached in Annex A1-A22
Treasury management function is a high risk area due to the volume and level of large investment money transactions.	The value of the investment could be lost, liquidity of the Council could be reduced and yield not maximised.	3	5	15	The Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

6.0 FINANCIAL IMPLICATIONS:

- 6.1 The financial implications are contained within the body of the report.

7.0 LEGAL IMPLICATIONS:

- 7.1 The Council is legally required to set a balanced 3 year capital programme budget and treasury management strategy statement as set out in Local Government Act 2003. This Council has set a 10 Year Capital Plan approved at cabinet on 3 December 2013 to assist with medium term financial planning, budget and council tax setting for 2014/15 and future years. This report provides detail of the Capital programme 2014/15 and also includes the requirements for the Treasury Management Strategy Statement.
- 7.2 Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

8.0 EQUALITY/DIVERSITY ISSUES:

- 8.1 Some capital schemes have specific implications for Equalities. The equalities implications of the individual schemes will be assessed by individual departments once the capital programme 2014/15 has been approved and the schemes are further developed. Any implications will be identified in the individual schemes project plans.

9.0 RECOMMENDATIONS:

- 9.1 It is recommended to Council that:-
- 1) the capital programme 2014/15 detailed in Annex A be approved for implementation;
 - 2) the revised 10 year Capital Programme be approved, as detailed in paragraph 2.2
 - 3) the Treasury Management Strategy attached at Annex B be approved
 - 4) the Prudential and Treasury Indicators attached at Annex B in the body of the Treasury Management Strategy Statement be approved
 - 5) the revised Treasury Management Policy Statement at Annex C be approved
 - 6) the scheme of delegation and role of the s151 officer attached at Annex D be approved

JUSTIN IVES

Background papers:

Author ref: LBW

Contact: Louise Branford-White
Finance Manager
Direct Line No: 01609 767024

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HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 March 2014

From: Director of Resources

Subject: INTERNAL AUDIT CHARTER

All Wards

1.0 **PURPOSE AND BACKGROUND:**

1.1 The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations).

2.0 **THE REPORT**

2.1 The new Public Sector Internal Audit Standards (PSIAS) require the Council to adopt an audit charter setting out the purpose, authority and responsibility of internal audit. Prior to April 2013, the Council had set its requirements for internal audit in terms of reference. These were in line with the former standards set by CIPFA in the Code of Practice for Internal Audit in Local Government in England and Wales (2006). The new PSIAS require that the Council adopts an internal audit charter instead. The purpose of the charter is broadly similar to the terms of reference although some of the detail required is different. For example, the new standards are more explicit about how the Head of Internal Audit reports to the "Board" (represented by the Audit, Governance and Standards Committee). The proposed audit charter is attached at **Annex 1**. This has been prepared in accordance with the PSIAS and additional guidance from CIPFA.

2.2 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

3.0 **CONCLUSION:**

3.1 Having regard to this report, the proposed Internal Audit Charter should give sufficient assurance to the Council that the internal audit service delivered by Veritau will comply with the revised standards.

4.0 **DECISIONS SOUGHT:**

4.1 It is recommended that the Committee approve the new internal audit charter.

5.0 **RISK ANALYSIS:**

5.1 There are no risks associated with the recommendations in the report.

6.0 **FINANCIAL IMPLICATIONS:**

6.1 There are no financial implications associated with the recommendations in the report.

7.0 **LEGAL IMPLICATIONS:**

7.1 There are no legal implications associated with the recommendations in the report.

8.0 **RECOMMENDATIONS:**

8.1 It is recommended that the attached report is approved.

JUSTIN IVES

Background papers:

Author ref: JB

Contact: *John Barnett; Audit Manager; Veritau North Yorkshire;*
John.barnett@veritau.co.uk
Roman Pronyszyn; Client Relationship Manager; Veritau
roman.pronyszyn@veritau.co.uk



Hambleton District Council Internal Audit Charter

25 March 2014

1 Introduction

- 1.1 There is a statutory duty on the Council to maintain an adequate and effective internal audit of its accounting records and of its system of internal control. The Accounts and Audit (England) Regulations 2011 also require that internal audit is undertaken in accordance with proper practices. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2013 CIPFA adopted new Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Hambleton District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the Council's constitution, regulations and governance arrangements.

2 Definitions

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at Hambleton District Council.

"Board" – the Audit, Governance and Standards Committee fulfils the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Director of Resources in his role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director of the Council individually (including the Chief Executive) or collectively as Senior Management Team (SMT) in relation to:

- having direct and unrestricted access for reporting purposes
- consulting on risks affecting the Council for audit planning purposes
- approving the release of information arising from an audit to any third party.

¹ The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

- 2.2 The standards also refer to the “chief audit executive”. This is taken to be the Head of Internal Audit (Veritau).

3 Application of the standards

- 3.1 The PSIAS defines internal audit as follows.

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 3.2 The Council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Hambleton. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS.

4 Scope of internal audit activities

- 4.1 The scope of internal audit work will encompass the Council’s entire control environment², comprising its systems of governance, risk management, and control.
- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

5 Responsibilities and objectives

- 5.1 The Head of Internal Audit is required to provide an annual report to the Audit, Governance and Standards Committee. The report will be used by the Committee to inform its consideration of the Council’s annual governance statement. The report will include:
- the Head of Internal Audit’s opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management, and control
 - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - any particular control weakness judged to be relevant to the preparation of the annual governance statement.

² For example the work of internal audit is not limited to the review of financial controls only.

- a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
- an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
- a statement on conformance with the PSIAS.

5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:

- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter
- draw up an indicative risk based audit plan on an annual basis which takes account of the requirements of the Charter, the strategy, and proper practice.

5.3 In undertaking this work, responsibilities of the internal audit service will include:

- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the Council
- objectively examining, evaluating and reporting on the probity, legality and value for money of the Council's arrangements for service delivery
- reviewing the Council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by members, officers, and members of the public and reporting findings to directors and members as appropriate for action
- advising the Council on relevant counter fraud and corruption policies and measures.

5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example Council policy and legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the code of ethics in the PSIAS³
- the codes of any professional bodies of which they are members
- standards of conduct expected by the Council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.

6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:

- rotation of audit staff
- ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice
- seeking external oversight of any audit of functional activities managed by the Head of Internal Audit through Veritau client management arrangements.

7 Accountability, reporting lines, and relationships

7.1 Internal audit services are provided under contract to the Council by Veritau North Yorkshire. The company is a separate legal entity. Staff undertaking internal audit work will be employed by Veritau North Yorkshire or another Veritau group company. Staff may also be seconded to the group from the Council. The Director of Resources acts as client officer for the contract, and is responsible for overall monitoring of the service.

7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:

³ Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

- Council, Cabinet, or any Committee (including the Audit, Governance and Standards Committee)
 - Chief Executive
 - Director of Resources (s151 officer)
 - Monitoring Officer
 - other directors and service managers.
- 7.3 The Director of Resources (as s151 officer) has a statutory responsibility for ensuring that the Council has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the Director of resources. This is included in Appendix 1.
- 7.4 The Head of Internal Audit will report independently to Audit, Governance and Standards Committee⁴ on:
- proposed allocations of audit resources
 - any significant risks and control issues identified through audit work
 - his/her annual opinion on the Council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of the Audit, Governance and Standards Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.
- 7.6 Audit, Governance and Standards will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁵.

8 Fraud and consultancy services

- 8.1 The primary role of internal audit is to provide assurance services to the Council. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.
- 8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and

⁴ The committee charged with overall responsibility for governance at the council.

⁵ The relationship between internal audit and Audit, Governance and Standards Committee is set out in more detail in Appendix 2.

corruption should be notified to the Head of Internal Audit, who will decide on the course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.

- 8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Audit, Governance and Standards Committee.

9 Resourcing

- 9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are sufficient to meet the requirements to provide an opinion on the Council's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the Director of Resources and to Audit, Governance and Standards Committee.

10 Rights of access

- 10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:
- enter all Council premises or land, at any reasonable time
 - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
 - have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
 - be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.
- 10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the Council's services are provided through partnership arrangements, contracts or other means.

11 Review

- 11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Director of Resources and Audit, Governance and Standards Committee, for approval.

**Relationship between the Director of Resources
(the s151 Officer) and internal audit**

- 1 In recognition of the statutory duties of the Council's Director of Resources (the Director) for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the Director and internal audit.
 - (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the Director
 - (ii) Internal audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the Director (in addition to Audit, Governance and Standards Committee)
 - (iii) The Director will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HoIA will give full regard to the comments of the Director
 - (iv) The HoIA will notify the Director of any matter that in the HoIA's professional judgement may have implications for the Director in discharging his/her s151 responsibilities
 - (v) The Director will notify the HoIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review
 - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice
 - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the Council's control environment, then he/she will make representations to the Director, as well as to Audit, Governance and Standards Committee
 - (viii) The Director will protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

**Relationship between Audit, Governance and Standards
Committee and internal audit**

- 1 The Audit, Governance and Standards Committee plays a key role in ensuring the Council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the Committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee.
- 2 The Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the Council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
 - (ii) Approval of the internal audit charter.
 - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the Council's control environment.
 - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
 - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the Committee in accordance with the approved escalation policy.
 - (vii) Approval (but not direction) of the annual internal audit plan.
- 4 In relation to the Audit, Governance and Standards Committee, the HoIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the Committee
 - (iii) provide an annual summary of internal audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the Committee

- (iv) establish whether anything arising from the work of the Committee requires consideration of the need to change the audit plan or vice versa
 - (v) highlight any shortfall in the resources available to internal audit and to make recommendations to address these to the Committee
 - (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the Committee
 - (vii) participate in the Committee's review of its own remit and effectiveness
 - (viii) consult with the board on how external assessment of the internal audit service will be conducted (required once every five years).
- 5 The HoIA will informally meet in private with members of Audit, Governance and Standards Committee, or the committee as a whole as required. Meetings may be requested by committee members or the HoIA.

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