

# Public Document Pack

**HAMBLETON**  
DISTRICT COUNCIL

## AGENDA

Committee Administrator: Louise Hancock (01609 767015)

Tuesday, 10 June 2014

Dear Councillor

### NOTICE OF MEETING

Meeting           **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

Date               **Wednesday, 18 June 2014**

Time              **9.30 am**

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

Yours sincerely

*P. Morton.*

Phillip Morton  
Chief Executive

**To:**               Councillors                               Councillors  
                      R W Hudson (Chairman)               M Rigby  
                      R A Baker                                 J Smith (Vice-Chairman)  
                      G W Dadd                                 Mrs J Watson  
                      Mrs C Patmore

Other Members of the Council for information

## AGENDA

### Page No

1. MINUTES  
To confirm the minutes of the meetings held on 26 March and 13 May 2014 (AGS.34 - AGS.42) and (AGS.1 – AGS.2), previously circulated.
2. APOLOGIES FOR ABSENCE
3. REGULATION OF INVESTIGATORY POWERS ACT - REVIEW OF ACTIVITY 1 - 2  
Report of the Director of Support Services and Deputy Chief Executive  
**Relevant Ward(s): All Wards**
4. INTERNAL AUDIT REPORT 2013/14 3 - 26  
Report of the Director of Support Services and Deputy Chief Executive  
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5. ANNUAL GOVERNANCE STATEMENT FOR 2013/14 27 - 34  
Report of the Director of Support Services and Deputy Chief Executive  
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6. ANNUAL REPORT TO CABINET ON AUDIT, GOVERNANCE AND STANDARDS COMMITTEE ACTIVITIES FOR 2013/14 35 - 38  
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Report of the Director of Support Services and Deputy Chief Executive  
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9. REVIEW OF RISK MANAGEMENT 87 - 90  
Report of the Director of Support Services and Deputy Chief Executive  
**Relevant Ward(s): All Wards**
10. POLITICALLY RESTRICTED POSTS 91 - 92  
Report of the Director of Support Services and Deputy Chief Executive  
**Relevant Ward(s): All Wards**

11. MATTERS OF URGENCY

Any other business of which not less than 24 hours' prior notice, preferably in writing, has been given to the Chief Executive and which the Chairman decides is urgent.

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

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

All Wards

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### **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 three years.
- 2.3 From 1 November 2012 the Council is only 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 April – 30 June 2014. There was no activity undertaken by the Council which had RIPA implications and therefore it is recommended that the Committee note the position.

### **4.0 RECOMMENDATION:**

- 4.1 It is recommended that it be noted that no RIPA activity will be undertaken by the Council during the period 1 April – 30 June 2014.

JUSTIN IVES

**Background papers:** HDC RIPA Register of Authorisations

**Author ref:** JI

**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
Direct Line No: (01609) 767022

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

**Subject:** **INTERNAL AUDIT ANNUAL REPORT 2013/14**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

1.1 The purpose of the report is to present the Internal Audit Annual Report for 2013/14 which is prepared by Veritau North Yorkshire (VNY).

1.2 The purpose of the report is to provide a statement of assurance regarding the adequacy and effectiveness of the internal control system; and a summary of the internal audit work carried out during the year to 31 March 2014. The Statement of Assurance will support the Annual Governance Statement (AGS) which forms part of the Council's Financial Statements.

1.3 Within the report there is also a summary of the audit opinions for the individual audits completed in the year, to support the overall opinion. It also includes a synopsis of the performance of Veritau in delivering internal audit to Hambleton DC.

1.4 Veritau carried out it's work in accordance with the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards.

1.5 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.

### **2.0 DECISIONS SOUGHT:**

2.1 It is recommended that the attached report for 2013/14 be approved.

### **3.0 RISK ANALYSIS:**

#### **3.1 Risk in approving the recommendation(s)**

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
There are no significant risks associated with the consideration of this report	N/a	N/a	N/a	N/a	N/a

### 3.2 Risk in not approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
Internal Audit & Risk Management activity is not monitored by a Member body.	External Audit may comment if Members are not kept informed of risk management activity.	3	2	6	Members continue to require regular reports on internal audit work that has been undertaken by the Council.

Prob = Probability, Imp = Impact

Score range is Low = 1 to High = 5

### 4.0 **CONCLUSIONS:**

4.1 The overall opinion of the Head of Internal Audit on the risk management, governance and controls operated in Hambleton District Council is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.

4.2 Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified around Information Governance and Data Security and around Creditors. We have recommended that Information Governance is considered for inclusion in the report on the Annual Governance Statement, prepared by the S151 Officer.

### 5.0 **RECOMMENDATIONS:**

5.1 It is recommended that the attached report for 2013/14 be approved:-

JUSTIN IVES

**Background papers:** None

**Author ref:** JB

**Contact:** John Barnett; Audit Manger; Veritau North Yorkshire;  
01609 767020  
[John.barnett@veritau.co.uk](mailto:John.barnett@veritau.co.uk)

Roman Pronyszyn; Client Relationship Manager; Veritau  
[roman.pronyszyn@veritau.co.uk](mailto:roman.pronyszyn@veritau.co.uk)





# Hambleton District Council

## Internal Audit Annual Report

### 2013/14

Audits Completed	
High Assurance	6
Substantial Assurance	8
Moderate Assurance	1
Limited Assurance	1
No Assurance	0

**Audit Opinion**

**Substantial Assurance**

**Audit Manager:** John Barnett  
**Client Relationship Manager:** Roman Pronyszyn  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Audit, Governance & Standards Committee  
 Director of Support Services and Deputy Chief Executive

**Date:** 18 June 2014

## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with these standards, the Head of Internal Audit is required to report to those charged with governance the findings of audit work, provide an annual opinion on the effectiveness of the Council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.
- 2 During the financial year the Council's internal audit service was provided by Veritau North Yorkshire Ltd, which is part of the Veritau Group.

## Internal Audit Work Carried Out 2013/14

- 3 During the 2013/14 year, internal audit work was carried out across the full range of activities of the Authority. The main areas of internal audit activity included:
  - **Strategic Risk Register;** the plan is explicitly aligned to the Council's risk register(s). 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. During the year one audit fell below Substantial Assurance in its rating. Information Governance was rated as 'limited assurance' (non compliance with 'HMG Information Assurance Maturity Model and Assessment Framework (IAMM)' fell short of the basic 'level one' assessment).
  - **Fundamental/Material Systems;** work in this area provides both assurance to Hambleton DC and helps support the work of external audit in providing assurance that the 'key' systems within the Council have a sound control environment. During the year one audit fell below Substantial Assurance in its rating. The Creditors system was rated as 'moderate assurance' (risk around e-procurement and delegated authority).
  - **Regularity;** one area was reviewed which produced a 'substantial' rating.
  - **Technical/Projects;** to consult and advise on the control and risk environment on various projects the Council is involved in.
  - **Follow Up;** this work covers those audits where significant risk has been identified and is intended to provide assurance that the agreed recommendations are being properly implemented. The areas reviewed are highlighted in Appendix 2.
  - **Contractor Assessment;** this work involved supporting the assurance process by using financial reports obtained from Dunn & Bradstreet (credit rating agency) in order to confirm the financial robustness of contractors.
  - **Systems Development;** Internal Audit attended a number of 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;** No special investigations were carried out during the year.
- 4 **Appendix 1** shows the final table of audit work carried out, and the audit opinion associated with the audits completed. **Appendix 2** provides a summary of the findings of our audit work, and **Appendix 3** an explanation of our assurance levels and finding priorities.

## **Compliance with Standards**

- 5 The work of internal audit has been undertaken in accordance with the PSIAS.
- 6 The internal audit Quality Assurance and Improvement Programme includes ongoing monitoring of the performance of the internal audit activity. Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. All audit work is reviewed by managers and a sample of work is also subject to internal peer review. Post audit customer satisfaction surveys are issued after all assignments. In addition, senior management are asked to complete an annual survey on the overall quality of the service.
- 7 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was carried out in April 2014 by the South West Audit Partnership (SWAP). The results of this external assessment will be reported to this committee, including details of any subsequent improvement plan when they become available.

## **Audit Opinion and Assurance Statement**

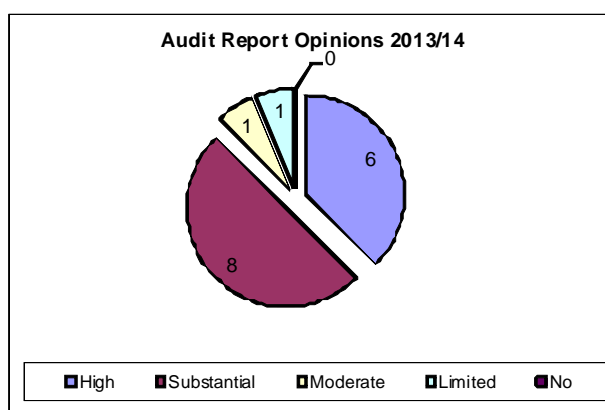
- 8 The overall opinion of the Head of Internal Audit on the risk management, governance and controls operated in Hambleton District Council is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 9 Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified around Information Governance and Data Security and Creditors. We have recommended that Information Governance is considered for inclusion in the report on the Annual Governance Statement, prepared by the S151 Officer.



Max Thomas  
Director and Head of Internal Audit  
Veritau Ltd

18 June 2014

Table of 2013/14 audit assignments completed



Audit	Status	Audit Committee
<b>Strategic Risk Register</b>		
Shared Service - Advice		
Affordable Housing	Completed ~ Substantial Assurance	March 2014
Local Development Framework	Completed ~ Substantial Assurance	June 2014
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
<b>Fundamental/Material Systems</b>		
Council Tax/NNDR	Completed ~ High Assurance	June 2014
Benefits	Completed ~ Substantial Assurance	June 2014
Creditors	Completed ~ Moderate Assurance	June 2014
Income/Receipting System	Completed ~ Substantial Assurance	June 2014
General Ledger	Completed ~ High Assurance	March 2014
Treasury Management	Completed ~ Substantial Assurance	June 2014
Capital Accounting	Completed ~ High Assurance	June 2014
<b>Regularity Audits</b>		
Equalities	Completed ~ Substantial Assurance	October 2013
<b>Technical/Project Audits</b>		
ICT – Advice, Policy Review	N/A	
Workspace	Completed ~ Substantial Assurance	January 2014

Audit	Status	Audit Committee
<b>Contingency</b>		
- Licensing Charges -	Completed ~ Substantial Assurance	October 2013
<b>Follow Ups:</b>	Completed – see below for follow up action against ‘key weaknesses’.	

## Appendix 2

### Summary of Key Issues from audits completed; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Local Development Framework	Substantial Assurance	Overview of the adoption of the core strategy with emphasis on monitoring and meeting targets which impacts upon the New Homes Bonus Grant	14 May 2014	<p><b>Strengths</b> Officers have progressively worked towards targets to maximise the New Homes Bonus Grant.</p> <p><b>Key Weaknesses</b> Whilst it appears that a substantial amount of monitoring is carried out, targets are still not being met. As part of the housing plan review, there has been consideration of a reduction in the affordable housing percentage targets and thresholds in policy but not an overall reduction in housing targets.</p>	<p>The key factors in maximising NHB within the control of the Council is that sufficient readily deliverable housing sites are identified in the LDF and that they are granting planning permission for these. Monitoring systems will be reviewed to ensure that comprehensive information on potential new housing developments is utilised. <i>30 September 2014</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Council Tax/NNDR	High Assurance	A review of the key risks/controls for the setting and collection of local tax.	12 May 2014	<p><b>Strengths</b> It was found that the arrangements for managing risk were very good with the processes supported effectively by officers.</p> <p><b>Key Weaknesses</b> No key weaknesses identified.</p>	
Benefits	Substantial Assurance	A review of the key risks/controls involved in awarding and paying benefits.	12 May 2014	<p><b>Strengths</b> The Housing Benefits service is provided by experienced and efficient officers who are well aware of their roles and responsibilities.</p> <p><b>Key Weaknesses</b> The subsidy claim was 'qualified' in several areas which more frequent monitoring/reconciliation may have prevented.</p>	<p>Review subsidy quarterly and review sections own accuracy findings. Consider training or changes to processes and implement where beneficial. 1 June 2014</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Creditors	Moderate Assurance	A review to ensure Creditors are correctly paid in a timely manner.	12 May 2014	<p><b>Strengths</b> The current system utilised is managed by experienced officers.</p> <p><b>Key Weaknesses</b> The e-procurement system is not always utilised when placing orders, as per the Constitution.</p> <p>Purchases are not always made in line with delegated authority.</p>	<p>Review the process of e-procurement on a council wide basis and evaluate whether it is beneficial to use e-procurement and the raising of purchase orders for the council more extensively. Alternatively if the review shows that it adds no value in an organisation the size of HDC, the Constitution will be amended.</p> <p>Review the purchase cards policy and procedures and ensure that the e-procurement/finance system is utilised in the first instance. <i>31 August 2014</i></p> <p>Review the master delegated authority list in Excel and ensure it is updated to correct budget holder responsibility and reconcile with the authorised signature forms. The purchasing card limits will be checked to ensure they are in line with the authorised delegated authority and budget</p>



System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>All cheques are entered onto COA and the status changed as they are issued. The lead cheque is marked as void which has to be done manually. There is no control to prevent an officer from going back into the system and changing the status back to 'issued'. This would then pass through the bank reconciliations. Void cheques are recorded on a spreadsheet, again it would be possible to either delete the line or fail to record it at all.</p>	<p>holder requirements. 31 August 2014</p> <p>Investigate with COA whether a countercheck can be introduced to prevent the person who placed the cheque on to void, re-entering the system and placing the cheque back to issued. Another officer will physically compare the void cheque to the spreadsheet and COA to make sure it actually says void on it and has been crossed through, then sign it off. 31 August 2014</p>
Income/Receipting System	Substantial Assurance	To ensure that monies received are accounted for and allocated correctly within the accounts of the Authority.	8 May 2014	<p><b>Strengths</b> The cash receipting system is well developed and managed by experienced and efficient officers.</p> <p><b>Key Weaknesses</b> At Hambleton there is still the provision to issue manual receipts to customers for payments made while the cash receipting system is offline, during cashing-up.</p>	<p>The issuing of manual receipts will be kept to a minimum and fully controlled. <i>Immediate</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				At the customer services office in Stokesley the password to ICON was written on a piece of paper and attached to the back of the reception desk.	Appropriate action and procedures have been put in place to remedy the issue identified. <i>Immediate</i>
Treasury Management	Substantial Assurance	To ensure that funds are securely and wisely invested/borrowed.	12 May 2014	<p><b>Strengths</b> Treasury Management duties are undertaken by a small team of experienced officers.</p> <p><b>Key Weaknesses</b> The TM Code of Practice appears not to have been updated since 2011, specifically the 12 TM practices including roles and responsibilities for Treasury Management.</p> <p>The Director of Housing and Planning occasionally authorises investment payments but is not on the Delegated Authority list.</p>	<p>Will update the TM practices so they accurately reflect current arrangements. <i>31 November 2014</i></p> <p>Will review the delegated authority list and ensure it accurately reflects the Council's authorisation. <i>31 August 2014</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Capital Accounting	High Assurance	To ensure that Capital/Assets are treated, in the accounts, with agreed/legislative standards.	9 May 2014	<p><b>Strengths</b> It was found that the arrangements for managing risk were very good with the processes supported effectively by officers.</p> <p><b>Key Weaknesses</b> No key weaknesses identified.</p>	

Summary of Key Issues from audits previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
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><b>Strengths</b> 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><b>Key Weaknesses</b> No key weaknesses identified.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
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><b>Strengths</b> It was found that the arrangements for managing risk were very good with the processes supported effectively by officers.</p> <p><b>Key Weaknesses</b> 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><b>Strengths</b> The monitoring and reporting of performance is carried out effectively to a high standard by appropriately trained officers.</p> <p><b>Key Weaknesses</b> No key weaknesses identified.</p>	
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	<p><b>Strengths</b> There is a good management of risk with officers carrying out the day to day functions in the maintenance of the ledger, effectively.</p> <p><b>Key Weaknesses</b> No key weaknesses identified.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
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	<p><b>Strengths</b> The process for setting the CIL is being efficiently managed and is progressing in line with prescribed requirements.</p> <p><b>Key Weaknesses</b> No key weaknesses identified.</p>	
Workspace	Substantial Assurance	<p>Within the Workspace Portfolio there are units situated on business parks throughout Hambleton which are available to let. The aim of the units is to help small businesses set up and then move forward.</p> <p><b>Through discussion, it was agreed that the most value could be added by identifying alternative methods of credit checking potential tenants.</b> Due to the nature of them being start-up businesses, there are often no sets of accounts</p>	23 October 2013	<p>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 applicable one being the National Landlords Association.</p> <p><b>Strengths</b> Regarding the controls in operation, it was found that the arrangements for managing risk were good with few weaknesses identified.</p> <p><b>Key Weaknesses</b> There is a formal procedure for rent reviews, which</p>	In the case that was examined, the request to amend the rents

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		to check, and no company credit history.		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.	was in writing. It was the authorisation that was not; this will be adhered to in future to ensure a secure management trail.
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 (IAMM)'.	28 August 2013	<p><b>Strengths</b></p> <p>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 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,</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>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.</p> <p><b>Key Weaknesses</b>  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 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</p>	<p>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 in the audit findings:</p> <ul style="list-style-type: none"> <li>• the identification of key roles and responsibilities</li> <li>• training for Members (and officers)</li> <li>• a centralized information register is created indicating data owners and review dates</li> <li>• a programme of data</li> </ul>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>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>Currently there is no contract in place for the disposal of</p>	<p>quality checks to be introduced 1 November 2013 <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 19<sup>th</sup> 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> <p>Ongoing revisionary and new starter training in Date Protection and wider Information Security will be delivered by ICT, with a delivery plan to be drawn up. 1 November 2013 <i>Update - Ongoing</i></p> <p>To meet the requirements identified in this audit and within</p>



System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>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 information security, or guidance relating to data sharing with other Authorities and 3<sup>rd</sup> parties. In addition, the policy does not allocate responsibility for Information Governance.</p>	<p>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 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> <ul style="list-style-type: none"> <li>• the identification of key roles and responsibilities</li> <li>• the requirements for a number of Policies to be reviewed/written to ensure a strong approach to Information Management within the Council</li> <li>• updated Document Management and Retention Policy to include electronic data</li> </ul>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Equalities	Substantial Assurance	A review to ensure that the Council is complying with the Equalities Act 2010.	27 August 2013	<p><b>Strengths</b> 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><b>Key Weaknesses</b> There is no system in place, within Human Resources, to monitor and report upon officer 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.</p>	30 November 2013 Update – completed
				<p>An appropriate process will be implemented for monitoring and reporting new starter and employee data to ensure corporate objectives are being achieved and the Council is compliant with the Equalities Act 2010. 1 March 2014</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Licensing	Substantial Assurance	<p>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 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</p>	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 & Follow-Up
		within HDC are compliant with the European Directive and UK legislation.			

**Audit Opinions and Priorities for Actions**

<b>Audit Opinions</b>	
<i>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</i>	
<i>Our overall audit opinion is based on 5 grades of opinion, as set out below.</i>	
<b>Opinion</b>	<b>Assessment of internal control</b>
High Assurance	<i>Overall, very good management of risk. An effective control environment appears to be in operation.</i>
Substantial Assurance	<i>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.</i>
Moderate assurance	<i>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.</i>
Limited Assurance	<i>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.</i>
No Assurance	<i>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.</i>

<b>Priorities for Actions</b>	
Priority 1	<i>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management</i>
Priority 2	<i>A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.</i>
Priority 3	<i>The system objectives are not exposed to significant risk, but the issue merits attention by management.</i>

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

**Subject:** **ANNUAL GOVERNANCE STATEMENT 2013 - 2014**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 Good governance is important to all involved in local government, however, it is a key responsibility of the Leader of the Council, Chief Executive and Director of Support Services and Deputy Chief Executive.
- 1.2 The preparation and publication of an Annual Governance Statement in accordance with the Cipfa/SOLACE Framework is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 1.3 The AGS refers to the year 2013/14 and has therefore been written to reflect the processes, management and committee structure at that time.

### **2.0 THE SYSTEM OF INTERNAL CONTROL:**

- 2.1 The internal control system encompasses the policies, processes, tasks, behaviours and other aspects of the Council, taken together:-
  - Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Council's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud;
  - Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation;
  - Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.
- 2.2 The scope of internal control accordingly spans the whole range of the Council's activities and includes those controls designed to ensure:
  - The Council's policies are put into practice;
  - The Council's values are met;
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Financial statements and other published information are accurate and reliable;
  - Human, financial and other resources are managed efficiently and effectively, and
  - High quality services are delivered economically, efficiently and effectively.

### **3.0 THE REVIEW PROCESS:**

- 3.1 The Cipfa/SOLACE Framework defines proper practices for the form and content of a Governance Statement that meets the requirement to prepare and publish a statement on internal control. There is no requirement to prepare and publish a separate statement on internal control.
- 3.2 Subsequent to the CIPFA “Statement on the Role of the Chief Financial Officer in Local Government”, which was issued in 2010, it is now expected that the AGS will include a specific statement on whether the Council’s financial management arrangements conform to the governance requirements of the statement. Furthermore where they do not, to explain why and how the Council’s arrangements deliver the same impact.
- 3.3 At Hambleton there is full compliance as the Director of Support Services and Deputy Chief Executive (S151 Officer) is a member of the Senior Management Team and reports directly to the Chief Executive.
- 3.4 The External Auditor will be considering the AGS as part of his review of the Statement of Financial Accounts. The Auditor is required to issue their opinion on the accounts as to whether they present a ‘true and fair view’ of the financial position of the Council at the balance sheet date.
- 3.5 The AGS provides public assurance that the Council has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The AGS should not be seen as a purely financial requirement, but as an important public expression of what the Council has done, how it sets out priorities, monitors performance and has put in place good business practice. It is also about the process for ensuring high standards of conduct and is a means of demonstrating sound governance.
- 3.6 In common with most local authorities, the Council has a well established system of internal control in place. However, the AGS process requires the Council to formally demonstrate what these controls are and how they safeguard against the most significant risks to the organisation and to gain assurance, based on evidence, that these controls are operating effectively, or where they are not, to identify areas for improvement.
- 3.7 Assurance can be provided by evidence from a number of sources including: inspection records, external audit reports, internal audit reports and direct assurance from managers. It is the responsibility of both Members and Chief Officers to obtain and provide such assurance. The production and publication of an AGS is therefore not an isolated act, but the final stage in a continuing review of internal control processes and procedures.

### **4.0 CONCLUSION:**

- 4.1 Having taken evidence from a number of sources that could potentially identify whether there are any significant weaknesses in the Council’s system of internal control, none have identified any such weaknesses in the system. Members can take assurance from this that the Council’s system of internal control is adequate and effective.

### **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 The Council is under a statutory duty to undertake a review of the systems of internal control operating within the Council during 2013/14 and to approve an Annual Governance Statement. Failure to undertake the review or present an Annual Governance Statement would have been a breach of this statutory requirement.

## **8.0 RECOMMENDATIONS:**

8.1 It is recommended that Members:-

- 1) agree with the conclusion of the review of the system of internal control, and;
- 2) approve the content of the Annual Governance Statement for publication with the annual Statement of Accounts.

JUSTIN IVES

**Background papers:** Cipfa/Solace: Delivering Good Governance in Local Government ~ Framework & Guidance.  
Cipfa Finance Advisory Network 'AGS 'Rough Guide' for practitioners.  
Cipfa/Solace Application Note to Delivering Good Governance in Local Government: a Framework. (March 2010)

**Author ref:** JB

**Contact:** *John Barnett; Audit Manager; Veritau North Yorkshire;*  
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**HAMBLETON DISTRICT COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT 2013 – 2014**

**Scope of Responsibility**

Hambleton District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hambleton District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Hambleton District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Hambleton District Council has approved and adopted a code of corporate governance. The code has been updated to embrace the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the existing code is on our website at [www.hambleton.gov.uk](http://www.hambleton.gov.uk) or can be obtained from Customer Services on (01609) 779977 or by email from [customer.services@hambleton.gov.uk](mailto:customer.services@hambleton.gov.uk). This statement explains how Hambleton District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on its governance and internal control arrangements.

**The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Hambleton District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

**The governance framework has been in place at Hambleton District Council for the year ended 31 March 2014 and up to the date of the approval of the Statement of Accounts.**

Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users:

Hambleton District Council has updated its new Council Plan. In setting the priorities, national, regional and the public's priorities were also taken into account. To cascade this down,

performance indicators are arranged under priorities in Service Plans. From the whole suite of performance indicators, key indicators have been selected as those that best measure achievement of the priorities set in the Council Plan. These key, high level, indicators are monitored by the Chief Officers, through Performance Boards, Service Reviews, and reported to Cabinet on a regular basis.

Senior Management is able to use this information to vire money/resources between service areas to provide additional resources where performance is below an acceptable level. The Council also uses benchmarking information to compare unit costs; however this information is limited and does not cover all service areas.

The Constitution includes sections defining and documenting the roles and responsibilities of the executive, scrutiny and officer functions with clear delegation arrangements.

The Constitution includes the Code of Member Conduct, a Code for Planning Conduct and an Officer and Member Protocol.

The Audit Governance and Standards Committee considers amendments to the Constitution.

#### Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities:

The Audit, Governance and Standards Committee's Terms of Reference are reviewed annually to align with those suggested by CIPFA. The Terms of Reference cover a number of areas that include:-

- All aspects of Internal Audit;
- All aspects of External Audit;
- Overseeing the development of risk management;
- Overseeing the production of the Annual Governance Statement;
- Consideration of the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

#### Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:-

Hambleton District Council achieves this through a number of mechanisms:-

- The Head of Legal and Information Services has access to all draft Cabinet and Council reports and approves the minutes;
- The Legal Section monitors legal developments and notifies relevant senior officers;
- A protocol for the Monitoring Officer is in place;
- Senior Officers and Members are aware of the availability of the advice on propriety which is available from both the Monitoring Officer and Veritau North Yorkshire Limited (who provided internal audit services in 2013/14);
- The Monitoring Officer, Legal Section, the S151 Officer and Veritau North Yorkshire Limited have good working relations and often cross-refer matters;
- The CIPFA Statement on the role of the Chief Finance Officer (CFO) recommends that the CFO should report directly to the Chief Executive and be a member of the 'Leadership' Team. Furthermore that the AGS should assess the position of the CFO against these criteria and report on a 'comply or explain' basis. The Director of Support Services and Deputy Chief Executive is the Council's designated S151 Officer, is a member of the Senior Management Team and reports directly to the Chief Executive.

- The CFO has unfettered access to information, to the Chief Executive and to Members of the Council. Therefore we consider that there are the processes and procedures in place which provide assurance that the role of the CFO (Director of Support Services and Deputy Chief Executive) in Hambleton District Council meets the Statement's expectations.
- All Directors have completed an Assurance Statement for the 12 months to 31 March 2014; and
- The Chairman of the Council, Leader of the Council (as Chairman of Cabinet) and the Chairmen of the Council's main Committees have each completed an Assurance Statement for the 12 months to 31 March 2014.

This gives assurance as to the soundness of the system of internal controls that is in place.

Training is offered to Members on probity and governance issues. Briefings are given on strategic issues from time to time.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council has developed and adopted a community engagement strategy with other Councils and agencies, which reflects the work of the theme groups and picks up on existing strategies such as the young and older person workstreams.

Embedding risk management in the activity of the Council, giving leadership to the risk management process, and training or equipping of staff to manage risk in a way appropriate to their authority and duties:

Hambleton District Council has a risk management strategy. The Audit, Governance and Standards Committee has assumed responsibility overseeing the Risk Management Strategy and Scrutiny oversee the operational and strategic risk registers.

Members of the Cabinet and the Audit, Governance and Standards Committee, Members, Risk Owners and other selected staff have received specialist training. The Risk Management Guidance Manual is revised annually and the revised version has been issued to Risk Owners.

Risk Management is a standard element of all officer reports to Cabinet and other Member Committees etc. All senior officers are required to implement the Strategy and to further embed risk management within the Council.

A Risk Register has been created, incorporating risks associated with delivery of the Council's Corporate Objectives under each priority Board.

Additionally, the corporate risks are identified and reviewed by the priority theme Performance Boards who in turn report to Cabinet on a quarterly basis.

A Partnership Risk Register was introduced during 2009/10 recognising the growing increase and importance service delivery through the use of partnership arrangements. Again, risks in this area are reviewed through the Performance Boards.

With the measures mentioned above in place the Council is able to identify, assess and manage the risks to the Council's corporate objectives.

The Council recognises the need to ensure that good governance arrangements and robust controls exist within all partners and other group working. It also recognises the need for comprehensive agreements to be in place for all significant partnerships and that these agreements should clearly identify how the risks of the partnership or working group arrangements will be managed.

## **Review of Effectiveness**

Hambleton District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers and managers within the Council who have responsibility for the development and maintenance of the governance environment, Veritau North Yorkshire Limited's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

### The Cabinet and Council:

There is a hierarchy of decision making at Hambleton District Council. Any new draft policies or strategies are developed and then submitted to the Senior Management Team. Once any amendments have been made, the policy/strategy moves on to Cabinet and then on to the full Council.

### The Audit, Governance and Standards Committee:

The Audit, Governance and Standards Committee has specific responsibility for monitoring the effectiveness of the Council's Code of Corporate Governance and to ensure that the Council undertakes its duties in an appropriate manner and maintains a high standard of Corporate Governance.

### Scrutiny Committees:

The Council has two Scrutiny Committees. Part of their function is to scrutinise Council policies. They do not have a specific role in dealing with Governance.

### Internal Audit:

During the year April 2013 to March 2014 the Council's internal audit service was provided by the Veritau North Yorkshire Limited (VNY), which is part of the Veritau group. It operates in accordance with the statements, standards and guidelines published by CIPFA (particularly the 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom) and the Chartered Institute of Internal Auditors.

The Company provides an independent review service, and the work of internal audit is determined using a risk assessment model from which a Strategic Plan and a detailed Annual Internal Audit Plan are developed. The Audit, Governance and Standards Committee considers and approves both the strategic and annual plans and receives regular updates of actual performance against the plan and an Annual Internal Audit report at the year end which will contain an opinion or assurance statement from Internal Audit on the operation of the overall Governance Framework, incorporating the system of internal control.

### Other explicit review/assurance mechanisms:

The Council is also subject to external review. The External Auditor is required to review, and where appropriate, report on the Council's corporate governance arrangements as they relate to:-

- legality of transactions that might have significant financial consequences;
- financial standing;
- internal financial control, and;
- standards of financial conduct and the prevention and detection of fraud and corruption.

The Chair of the Council, Leader of the Council (as Chair of Cabinet) and the Chairs of the main Committees sign a statement giving an assurance as to the conduct of Council/Committee business being both lawful and in a manner prescribed by the Council's Constitution.

Every Director signs a statement which gives an assurance as to the soundness of the system of internal controls that are in place within their respective areas.

**Signed:** -----  
Councillor Mark Robson  
Leader of the Council

**Signed:** -----  
Philip Morton  
Chief Executive

**Signed:** -----  
Justin Ives  
Director of Support Services and Deputy Chief Executive

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

**Subject:** **ANNUAL REPORT TO CABINET ON AUDIT, GOVERNANCE AND STANDARDS COMMITTEE ACTIVITIES 2013/14**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

1.1 The purpose of this report is to consider a draft report which analyses the work undertaken by the Audit, Governance and Standards Committee for the year to 31 March 2014. Under the Committee's Terms of Reference, it is proposed that the report will be presented at Cabinet in July 2014. The draft report is attached as Annex 'A'.

### **2.0 RISK ASSESSMENT:**

2.1 There are no risks associated with the recommendations of this report.

### **3.0 RECOMMENDATION:**

3.1 It is recommended that:-

- 1) the Committee agree the content of the report; and
- 2) the report is submitted to Cabinet.

JUSTIN IVES

**Background papers:** None

**Author ref:** JI

**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
Direct Line No: 01609 767022

**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

**WORK UNDERTAKEN DURING 2013/14**

**1. External Audit – Deloitte**

Deloitte, as the Council's external auditor, presented reports that covered:-

- Annual Audit and Inspection Plan – this sets out the proposed plan for audit and inspection work;
- Annual Audit and Inspection Letter – this summarises the conclusions and significant issues arising from Deloitte's audit and inspection work;
- Annual Governance Report – this presents the findings, conclusions and recommendations from the annual audit. It also covers the audit of accounts and work undertaken on the arrangements to secure economy, efficiency and effectiveness in the use of resources;
- Quarterly reports on their activities with the Council.

It is pleasing to note that these reports did not identify any significant problems and were received and accepted by the Committee.

**2. Internal Audit – Veritau North Yorkshire Limited**

- Presented the 2012/13 Internal Audit Annual Report. The Report was accepted;
- Presented the 2012/13 Annual Governance Statement. This was approved;
- Gave a comparison of the Section's actual performance against target throughout the year. The Committee agreed that the performance was satisfactory;
- The annual review of the Audit Vision and Charter.

**3. Accounts and Governance – Hambleton District Council staff**

These reports cover the presentation of both: -

- The Statement of Accounts 2012/13 – these present the statutory financial accounts in the form prescribed by the Code of Practice on Local Authority Accounting in the UK – A Statement of Recommended Practice. The Committee scrutinised the detail of the accounts and after a robust challenge approved them;
- The Annual Governance Statement (AGS) for 2012/13 – this a statement required by statute which follows the guidelines issued by the Chartered Institute of Public Finance. It describes the internal control environment and the steps the Council has taken to ensure:-



- its business is undertaken in accordance with the law;
- it maintains proper safeguards that provide good governance;
- public money is safeguarded, and;
- its resources are used economically, efficiently and effectively.

The Committee agreed with the conclusion of the review and approved the content of the AGS.

- The Treasury Management Strategy and Practices were reviewed and accepted by the Committee.

#### **4. Risk Management – Veritau North Yorkshire Limited**

The Committee received a report on the Annual Review of Risk Management Strategy, this included a review of the Risk Management Process, Policy Statement and an updated Guidance Manual. The report and guidance were accepted.

#### **5. Constitution and other work**

The Committee received reports covering:-

- Amendments to the Councils Constitution – Scrutiny Committees and reviews of Procedure Rules and Articles.
- Activity under the Regulation of Investigatory Powers Act was reported and accepted.
- Annual Report on Counter Fraud and Corruption 2012/13 was reported and accepted.

#### **6. Standards**

The Committee took responsibility for the Standards regime from July 2012 and was involved in the adoption of the new Member Code of Conduct and procedures.

The Standards Hearings Panel has considered three complaints under the Council's Complaints Procedure, two complaints against a District Councillor and three complaints against Parish Councillors.

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

**Subject:** **ANNUAL REPORT ON COUNTER FRAUD AND ANTI-CORRUPTION 2013/14**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

1.1 The purpose of this report is to inform Members of the work that has been undertaken on Counter Fraud and Anti-Corruption during 2013/14.

### **2.0 WORK UNDERTAKEN:**

2.1 The work undertaken by the Housing Benefit Section and its structure is detailed in Annex 'A'.

2.2 The work undertaken on behalf of the Council by Veritau North Yorkshire Ltd is of an unplanned or specific nature. During 2013/14 there were no items requiring investigation.

### **3.0 RISK ANALYSIS:**

3.1 There are no risks associated with considering this report.

### **4.0 RECOMMENDATION:**

4.1 It is recommended that Members note the Counter Fraud and Anti-Corruption work that has been undertaken during the year to 31 March 2014.

JUSTIN IVES

**Background papers:** None

**Author ref:** JSB

**Contact:** John Barnett - Veritau North Yorkshire Limited  
Direct Line No: 01609 767020

**COUNTER FRAUD AND ANTI CORRUPTION WORK UNDERTAKEN IN 2013/14**

**HOUSING BENEFIT SECTION**

During 2013/14 the Housing Benefit Team was part of the shared Revenues and Benefits Service until January 2014 when the partnership was dissolved. Therefore administration of the Benefit Service saw some structural changes during the year.

For the period April 2013 to December 2013 the Benefits service was led by the joint Revenues and Benefits Manager and consisted of a Benefit Administration Team, a Service Development Team and a Benefit Investigations and Compliance Team.

The Overpayment Officer role (equivalent to 1FTE) was a specific post and formed part of the Council's Recovery Team, reporting to the Principle Revenues Officer. For the majority of 2013/14 the resource in this area was reduced to 0.6 FTE.

From January 2014 the Benefits Service was led by the Benefit Manager and consisted of a Benefit Administration Team and a Benefit Investigations and Compliance Team. The role of overpayments was incorporated into the Benefit Assessment Officers' duties to help reduce the delay from identification of the overpayment to commencement of recovery action and provide more resilience in terms of resource.

The proactive work of the Benefit Administration Team includes verifying information supplied in respect of Housing/Council Tax Benefit applications to prevent fraud and error entering into the system at the start of a claim. The section dealt with over 13,000 changes and new claims over the year.

The proactive work of the Benefit Investigations and Compliance Team is responsible for detecting fraud and error within the benefit system and administering the relevant sanctions from penalties to prosecution. Allegations can be from several sources, including data matching services such as the National Fraud Initiative.

2013/14 also saw the Council Tax Benefit scheme replaced with the Council Tax Reduction scheme. Not only did this introduce new legislation for the Benefit Administration Team with regards to the assessment of Council Tax support, it also introduced new investigative powers and offences for the Council's Investigation and Compliance Team to work with such as the application of a civil penalty for failing to report a change in circumstance.

The Council is committed to ensuring that fraud and error is prevented from entering the system, hence the transfer of the verification scheme into the new local Council Tax Reduction scheme and the move towards a more risk based verification approach where the profiles of case circumstances sees resources targeted to those cases where there is higher risk of a change in circumstance going unreported.

## **SUMMARY OF WORK UNDETAKEN**

The Investigations and Compliance section had a busy 2013/14 with 11 cases proceeding to Court, all of which were found guilty.

We are also working with Trading Standards on two cases under the Proceeds of Crime Act to recover the overpayments of approximately £45,000

This table shows the results for the Team from investigation cases only with a comparison to 2012/13

Allegations	Completed Investigations	Guilty prosecutions	Administration Penalties	Formal Cautions	Overpayments £	Year
169	51	11	3	4	HB £142,586 CT £30,008	13/14
178	82	3	10	6	HB £162,471 CT £37,085	12/13

HB – Housing Benefit overpayments identified via the Fraud Team

CT – Council Tax Benefit overpayments and reclaimed Council Tax Reduction amounts

Housing Benefit overpayments are recovered from either ongoing benefit entitlement or direct from the customer via an arrangement. Should a customer default on any arrangement, further recovery action is taken such as attachment to earnings or referral to enforcement agents.

It is expected that outcomes from Council Tax Reduction investigations will come to conclusion in 2014/15.

### **National Fraud Initiative (NFI)**

We completed the 2010 national exercise and have now almost completed the 2012 exercise which identified 473 matches to be checked against our systems for fraud and error. From these matches, 8 cases were identified for investigation, 3 of which are likely to progress to sanction action. Overpayments identified from the exercise to date total £30,730 (not included in the table above figures)

### **Housing Benefit Matching Service**

The Council receives monthly matches which indicate that there are inconsistencies between the data we hold and that held with the Department of Work and Pensions (DWP) and Her Majesty's Revenues and Customs (HMRC), these matches are checked and either enquires are made to correct the data or an investigation will be opened.

We received 275 matches, there are still some outstanding, however, to date £46,000 of overpayments have been identified (not included in any of the above figures)

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

**Subject: DRAFT PLANNING REPORT FOR THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE FOR YEAR ENDING 31 MARCH 2014**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

1.1 The purpose of this report is to present to Members the Draft Audit Plan proposed by the Council's external auditors, Deloitte. This Plan sets out the scope of the work that is to be undertaken together with an assessment of audit risks. The detailed Plan is contained in Annex 'A'

### **2.0 RISK ANALYSIS:**

2.1 There are no risks associated with considering this report.

### **3.0 RECOMMENDATION:**

3.1 It is recommended that Members review and note the draft Audit Plan for the year ending 31 March 2014.

JUSTIN IVES

**Background papers:** None

**Author ref:** JI

**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
Direct Line No: (01609) 767022

180614 Draft Audit Plan

Draft Planning Report to the Audit,  
Governance and Standards  
Committee for year ending 31 March 2014



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*I am delighted to present this planning report for the 2013/14 audit of Hambleton District Council. This report sets out our audit approach and the more significant areas where we will focus our attention this year.*

**Paul Thomson, Audit Partner**



# The big picture

# The big picture

We have set out below an overview of the key developments at the Council and the more significant matters we have considered in developing this Audit Plan. We consider these matters as part of our audit risk assessment and this determines where we will focus our work. Details of the impact of these matters on our approach are set out in this Audit Plan.

## Relevant developments

- At month nine the Council is forecasting a revenue budget surplus of £72k when compared against its financial strategy target.
- At the end of December, forecast capital expenditure is set to be below the budgeted amount with a variance of £136k. £71k of this relates to the CCTV control room scheme being transferred into 2014/15 by which time the cost proposals will be finalised.
- The Audit Commission has determined a reduction in the grants to be certified in the current year. External certification is no longer required for the NNDR return.

## Key developments in financial reporting requirements

- Changes to the Code requirements include the classification, recognition, measurement and disclosure of post-employment benefits.
- New guidance on the accounting entries required from the localisation of business rates, affecting the collection fund, with additional responsibilities falling on the Council in respect of the risks of appeals and the rewards of business rate growth.
- Clarification regarding the frequency of revaluations for properties. This amends previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date.
- Other smaller changes to presentation and disclosure matters in the financial statements.
- The national Council Tax Benefit scheme has been replaced by a local Council Tax Reduction scheme, which the Council implemented from the start of the year.

## Significant audit risks

- Recognition of grant income
- Valuation of PPE
- Completeness of provisioning for NNDR appeals
- Management override of key controls, as presumed by auditing standards

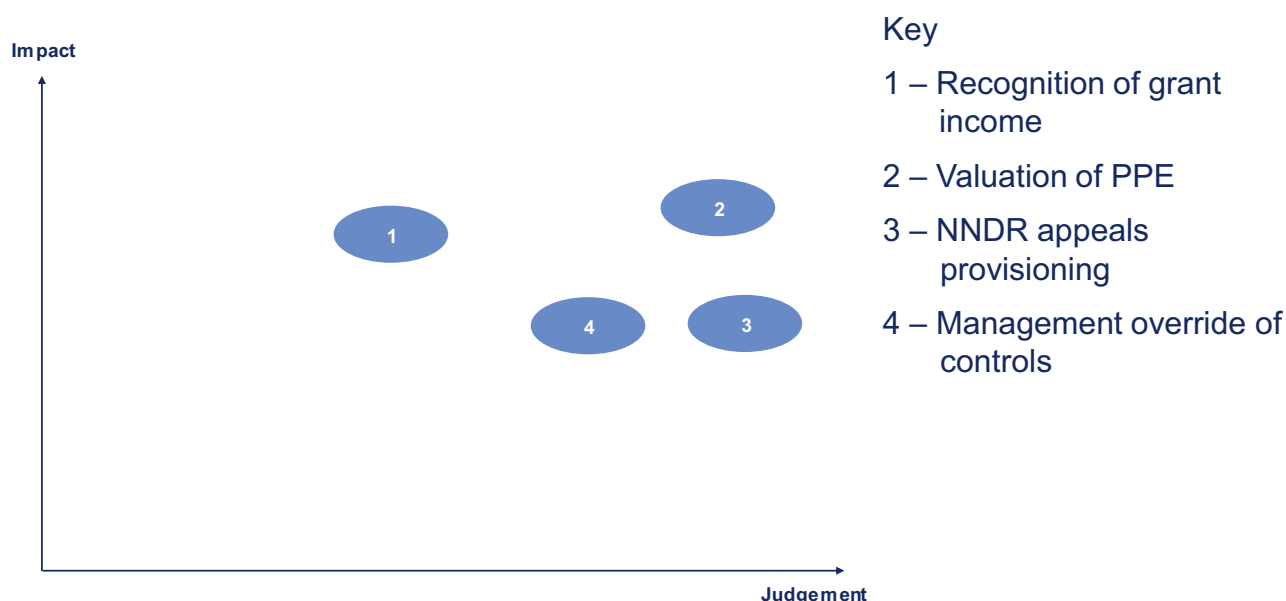
# A reminder of our conclusions in 2012/13

## Our audit opinion and audit adjustments

In September 2013, we issued the Council with an unmodified audit opinion on the financial statements. There were no audit adjustments made to the draft statement of accounts.

# Identified significant risks for 2013/14

## Key areas of audit focus for 2013/14



Our significant risks for 2013/14 are presented in the graph above.

These risks are similar to those raised in our planning report for 2012/13, and have been identified on the basis of our understanding of the Council, its objectives and the environment in which it operates.

The risk relating to NNDR appeals has been added for 2013/14, reflecting the new responsibility the Council has in this area, following the localisation of business rates.

Further details on each of the identified significant risks are presented later in this report.

### Value for Money conclusion

We have not identified any significant risks in respect of our Value for Money conclusion.

We have considered the criteria specified by the Audit Commission as well as other factors directly affecting the Council, and concluded there are no significant risks to report on.

We will perform additional procedures as part of our review in support of our VfM conclusion

# Our audit quality promise

# Our audit quality promise

## Our new quality standard



The quality of our audit delivery is of great importance to us. In order to ensure we deliver an excellent service to you, we have developed our audit quality promise. Key aspects of this delivery are:

- how we communicate with you throughout the year;
- what insight we bring around the quality of your control environment, systems and audit risk areas; and
- how we ensure that our team is delivering the best quality audit at every level.

This section sets out our commitments to management, officers and members in these areas and we will actively seek feedback on how we have performed against them.

From discussions with you and our experience with other Councils, we know that you value an integrated audit approach which encompasses the main financial statements audit, value for money conclusion and certification of relevant grants and returns. Our Audit Quality promise takes this into account. The key individuals that form part of our audit team for 2013/14 are consistent with the team in previous years. We have supplemented them as necessary with skilled, experienced and knowledgeable individuals to ensure timely and effective delivery of our audit. We pledge to take the same approach in future years with a consistent audit team, drawing on expertise as necessary to supplement our core team.

# Our commitment to you

## Communication



We believe that regular face to face communication is essential to delivering quality and insight through our audit. We have set out below our planned communications schedule for both the audit period and throughout the year.

### Year round communication

We will be in regular contact with Louise Branford-White to ensure we remain up to date with the developing issues at the Council through the year, and will discuss, in advance, any papers we wish to present to a meeting of the Audit, Governance and Standards Committee.

Senior members of the audit team will attend meetings of the Audit, Governance and Standards Committee as scheduled.

In these meetings we will discuss the latest Council developments, and in-year performance. We will also provide any updates on our findings to date, and any relevant regulatory / technical updates.

We will also make ourselves available through the year for ongoing discussions as necessary.

### During the main audit period

During the audit period we will work closely with Justin Ives and Louise Branford-White. We will ensure we summarise our findings and discuss any emerging issues on the financial statement audit.

We will work with Justin Ives as our key point of contact for the Value for Money conclusion.

We will hold a close meeting with management to discuss the contents of our report to the Audit, Governance and Standards Committee.

Will we maintain regular contact with Susan Grant during our testing of the Housing Benefit subsidy claim.

### Open feedback process

We will carry out debrief meetings with the Audit, Governance and Standards Committee Chair, the section 151 officer, Justin Ives, and Louise Branford-White to discuss how we have delivered against the commitments on both sides, as set out in this document, and any other aspects of our delivery.

We will respond to this feedback with agreed actions and timescales.

We will also seek direct feedback through regular meetings during the year.

### Responding to queries and requests

We will always endeavour to respond to queries and requests as soon as possible give definitive timescales for delivery or their resolution.

We will proactively set up meetings to discuss any technical accounting or regulatory developments, which could have a significant impact on the Council, as soon as we become aware.

We will make ourselves available to discuss issues as they arise, in advance of the year end to smooth the closedown and accounts production processes.

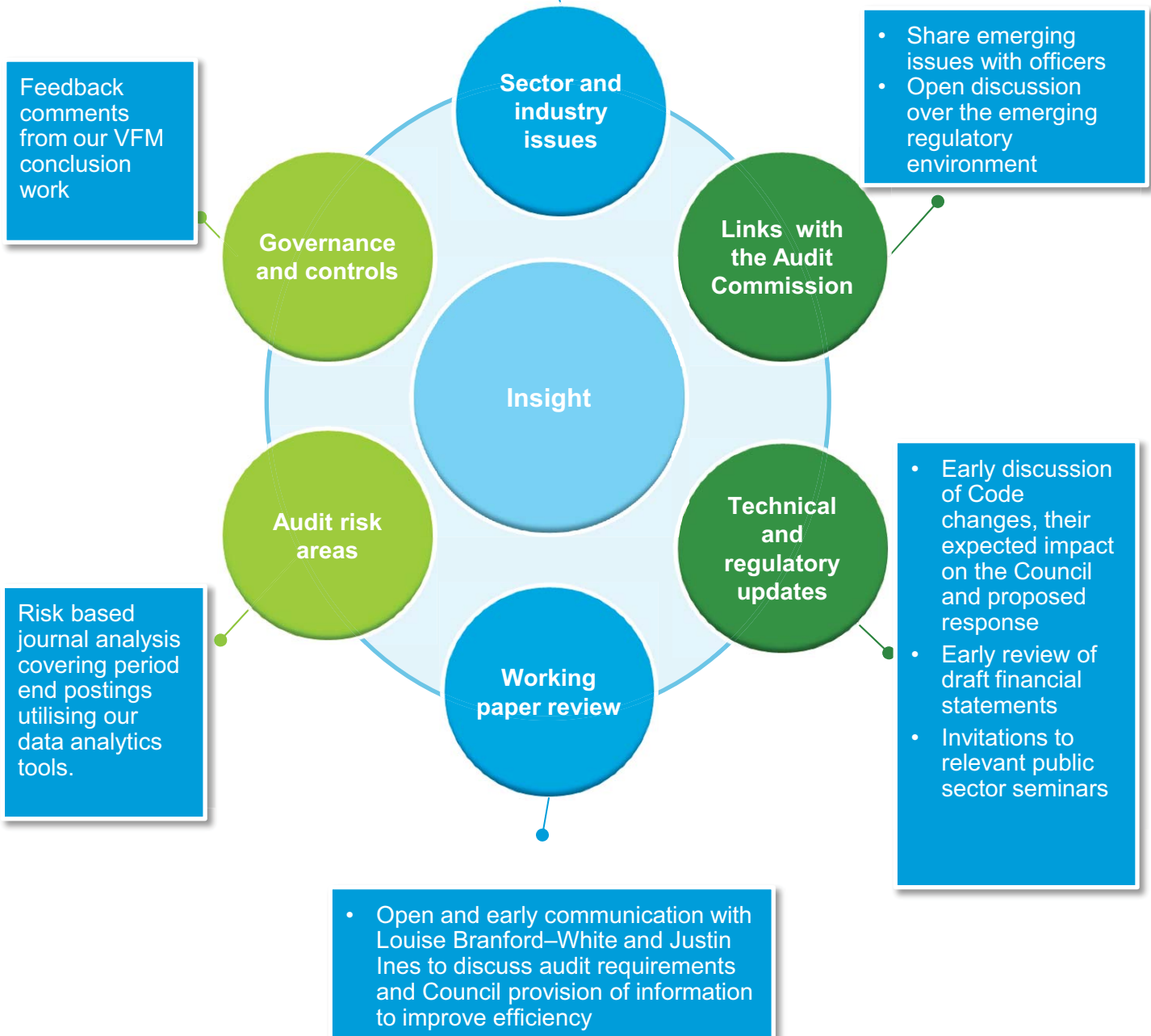
# Bringing you insight



We have summarised below some of the ways we will provide the Council with insight during 2014

Sharing knowledge of sector developments, for example:

- We have attached at Appendix 5 a summary of our research into the state of local public services
- We will discuss the future impact and arrangements around the North Yorkshire NNDR pooling arrangements with key officers during the year
- We will discuss relevant Deloitte publications with senior staff to raise awareness of sector issues





# Changes in your Statement of Accounts



# Changes in your Statement of Accounts

## New reporting requirements

We welcome this opportunity to set out for the Overview and Audit, Governance and Standards Committee a summary of the latest developments in financial reporting which will impact this year end.

Change in Code of Practice on Local Authority Accounting requirements	Impact on Hambleton District Council
<ul style="list-style-type: none"> <li>• Post-employment benefits: changes have been made to Code requirements in respect of the classification, recognition, measurement and disclosure requirements introduced as a result of amendments to the relevant accounting standard.</li> </ul>	<ul style="list-style-type: none"> <li>• This is relevant to the Council and will require a number of changes to the calculation and presentation of entries.</li> </ul>
<ul style="list-style-type: none"> <li>• Accounting for business rates retention: the Code provides guidance on the accounting requirements arising from the localisation of business rates in England from 1 April 2013.</li> </ul>	<ul style="list-style-type: none"> <li>• This is relevant to the Council and will require a change in the form of accounting for the 2013/14 Statement of Accounts.</li> </ul>
<ul style="list-style-type: none"> <li>• Presentation of Financial Statements: the Code makes amendments to the format of the Comprehensive Income and Expenditure Statement. This is in respect of items that are potentially re-classifiable to Surplus or Deficit on the Provision of Services at a future time. Where authorities have these types of transactions, the items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:               <ol style="list-style-type: none"> <li>a) will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services; and</li> <li>b) will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Where local authorities do not have such transactions, no change is needed to the format of the Comprehensive Income and Expenditure Statement. However CIPFA recommends in such circumstances that authorities clarify in their summary of significant accounting policies that, where this is the case, they do not have such transactions and have therefore not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be re-classifiable and amounts that are not.</li> </ul>



# Changes in your Statement of Accounts (continued)

## New reporting requirements

Change in Code of Practice on Local Authority Accounting requirements	Impact on Hambleton District Council
<ul style="list-style-type: none"> <li>Revaluation of properties - Clarification regarding the frequency of revaluations for Property, Plant and Equipment which amends previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date.</li> </ul>	<ul style="list-style-type: none"> <li>This is relevant to the Council, and management should consider the current frequency with which they revalue their assets.</li> </ul>

# Scope of work and approach

This section sets out our planned scoping for the audit of the Council's financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

# Scope of work and approach

We have five key areas of responsibility under the Audit Commission's Code of Audit Practice

## Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and the Audit Commission's Code of Audit Practice. The Council will prepare its accounts under the Code of Local Authority Accounting. There are no significant changes in respect of the scope of our work in relation to this area of responsibility.

## Assurance report on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering the whole of the public sector and include some 1,700 separate bodies. We expect to perform limited procedures on the Council's consolidation pack, to confirm further procedures are not necessary. This is in line with the requirements of previous years.

## Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusion is given in respect of two criteria:

- Whether the organisation has proper arrangements in place for securing financial resilience
- Whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In discharging this responsibility, we take into account our work on the Annual Governance Statement and the work of regulators.

## Grants

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority.

The appointed auditor carries out work on individual claims and returns as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

We produce an annual report on completion of our work, summarising our work in respect of grants which will be discussed at the Audit, Governance and Standards Committee.

## Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

We will also review reports from regulatory bodies and any related action plans developed by the Council.

The most significant of the grants we certify relates to the Council's claim from the Department of Work and Pensions for Housing Benefit Subsidy. In previous years, this certification process included providing the Council with assurance over the processing of Council Tax Benefit claims as well. Following the replacement of Council Tax Benefit with a local Council Tax Reduction scheme, our certification does not cover these elements of Council income and expenditure. Members may wish to consider the level of assurance they gain over these balances.

# Scope of work and approach (continued)

## Independence

We confirm we are independent of the Council. We will reconfirm our independence and objectivity to the Audit, Governance and Standards Committee or the year ending 31 March 2014 in our final report to the Committee. Appendix 1 sets out proposed fees for the year.

## Approach to controls testing

As set out in "Briefing on audit matters" included as Appendix 6, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

We will consider the results of our procedures in respect of the Council's controls and the extent of any impact our findings have on our substantive audit procedures.

Obtain and refresh our understanding of the Council and its environment including the identification of relevant controls

Identify risks and any controls that address those risks

Carry out 'design and implementation' work on relevant controls

If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks

## Scoping of material account balances, classes of transactions and disclosures

We perform an assessment of risk which includes considering the size, composition and qualitative factors related to account balances, classes of transactions and disclosure. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

## Liaison with internal audit

We continue to rely on the work of the Internal Audit function to inform our risk assessment. The Auditing Standards Board has issued a revised version of ISA (UK and Ireland) 610 "Using the work of internal auditors". This prohibits use of internal audit to provide direct assistance to the audit. Our current approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements, and will not change the existing scope of Internal or External Audit's work. However, this will prevent us from further increasing the extent of our use of Internal Audit's work in future.

We plan to hold discussions with the Head of Internal Audit to understand the work they have performed in the year and any weaknesses they have identified in the control environment, so we can assess their impact and plan our audit response.

## Whole of Government Accounts

Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the Council's whole of government accounts return. We will consider the requirement to review the WGA return and undertake appropriate procedures accordingly.



# Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

We perform an assessment of risk which includes considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

In 2012/13 materiality was £540k based on income for the year. We will update this figure on receipt of the draft 2013/14 financial statements. We will report to the Audit, Governance and Standards Committee on all unadjusted misstatements greater than our clearly trivial threshold, which was £27k in 2012/13, and other adjustments that are qualitatively material.

# 1. Revenue recognition

We consider a significant risk exists in relation to the non-recognition of cash receipts or their recognition in the incorrect accounting period.

We have identified recognition of Grant Income as a significant risk due to:

- Grant income being recognised only once any conditions attached over grants have been met.
- Significant management judgement over determining if there are any conditions attached to a grant, and if conditions have been met.
- Complex accounting for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.

## ISA240 requirements

International Standards of Auditing (UK and Ireland) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to presume that there is a risk of fraud with respect to the recognition of revenue.

Our approach

Our approach

- We will test the design and implementation of controls management has put in place to ensure income is recognised in the correct period.
- We will carry out detailed testing of grant income to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the draft or final grant claim and that the grant control account balance has been properly reconciled.
- We will review correspondence attached to specific grants and compare to the Council's accounting treatment.



## 2. Valuation of Property, Plant and Equipment

We consider a significant risk exists in relation to the valuation of PPE assets owing to the prevailing conditions in the property market at this time.

We have considered the nature of the Property, Plant and Equipment (PPE) balance and concluded that a significant risk exists in relation to the valuation of Land and Buildings. This is because:

- The Council holds significant amounts of Land and Buildings (£17.2m net book value as at 31/3/13);
- Whilst the property market is recovering, there remain uncertainties around the valuation of a number of assets; and
- Effective valuations require the use of expert knowledge to maintain materially accurate valuations, and the assessment of market values are inherently judgemental.

### Impact on the Council

The value of Land and Buildings is held on the Council's Balance Sheet, with revaluation gains recognised in the Revaluation Reserve, and losses recognised in the Revaluation Reserve, such that there is a balance for that asset, and then in the Comprehensive Income and Expenditure Statement as an impairment.

Changes in value do not affect the Council's "bottom line", as statutory overrides reverse impairments to the Capital Adjustment Account, meaning the Council would not have to raise council tax to fund impairment losses.

However, where an impairment is caused by the reduced service potential of an asset (rather than a change in value), the Council could face charges to repair the building and restore the asset so it is fit for use.

### Our approach

- We will test the design and implementation of controls management has put in place to ensure Land and Buildings are materially fairly stated in the Balance Sheet.
- We will review any valuation exercises management has engages specialists to undertake in year, consulting with our specialist valuation colleagues where we consider it necessary.
- We will also test the disclosure of PPE balances in the accounts, particularly with reference to the disclosures of valuation methodologies and the dates of valuations.

### 3. Completeness of NNDR appeal provisions

#### The localisation of business rates places new responsibilities on the Council

**We have identified the completeness of any provision for NNDR appeals as a significant risk. This is because:**

- The localisation of business rates passes the risks and rewards associated with National Non-Domestic Rates (NNDR) on the Council for the first time;
- Previously the Council was responsible for collecting the rates due, paying these to central government and receiving grant income to fund services;
- From 1 April 2013, the Council now faces the risk relating to declining business rate income, the cost of appeals as well as the benefits from any business rate growth; and
- This represents a significant unusual transaction, and the accounting entries arising from NNDR appeals have significant management judgement in determining their appropriateness.

#### **Impact on the Council**

From our initial inquiries, we understand a number of significant business ratepayers have appealed against the ratings provided by the Valuation Office Agency (VOA).

We understand the Council is entering a risk pooling arrangement for NNDR with a number of North Yorkshire councils from the 1 April 2014. Whilst this is not directly relevant to our audit this year, we will consider the impact this has on the accounting disclosures, and discuss with management the its oversight of the new arrangements.

#### **Our approach**

- We will review the controls management has in place for assessing the required accounting entries and determining any estimated provision, if necessary, and conclude whether these have been designed and implemented effectively.
- We will review a detailed sample of appeals made and consider the appropriateness of the accounting decisions made by the Council.
- We will review the disclosures made by the Council in terms of the adequacy, sufficiency and clarity to ensure the accounts present a true and fair record in this regard.

## 4. Management override of controls

In accordance with International Standards on Auditing (ISA 240), we presume that there is a risk of fraud as a result of Management override of controls.

### Our approach

- We will consider those significant accounting estimates, which may be subject to Management bias, as set out in the other risks described in this section.
- We will also perform focussed work on the testing of journals, using data analytics to profile the journal population and focus our testing on higher risk journals; significant accounting estimates, and any unusual transactions, including those with related parties.
- We will use enhanced data analytics to provide support through our new data analytics toolbar.

# Value for money conclusion

# Value for money conclusion

Our work will focus on the extent to which the Council has proper arrangements in place to secure value for money

## Scope

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether Hambleton District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources - this conclusion is known as “the VFM conclusion”.

Specified criteria for auditors’ VFM conclusion	Focus of the criteria for 2014
<b>The organisation has proper arrangements in place for securing financial resilience.</b>	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
<b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b>	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Approach to our work

We draw sources of assurance relating to our VFM responsibilities from:

- the audited body’s system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there was none in 2014; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

## Preliminary assessment

Our preliminary assessment is that there are no significant risks in relation to our VFM responsibilities which requires local work to be carried out and we have therefore not identified any significant risks in our audit plan. This preliminary view is based on the undertaking of a risk assessment, which involves consideration of common risk factors for local authorities identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on Hambleton District Council

We have undertaken this preliminary work through review of relevant documentation, including cabinet and committee papers, and discussion with officers as necessary. We will update our detailed risk assessment from April to take account of the outturn financial and performance information for 2013/14, and through our consideration of what has been reported in the Annual Governance Statement, matters reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

# Grants and returns

# Grants

Our work will focus on the certification of the grants in scope as per our contract with the Audit Commission

## Scope

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority. The Commission, rather than its appointed auditors, has the responsibility for making certification arrangements. The appointed auditor carries out work on individual claims and returns as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

The respective responsibilities of the grant paying body, authorities, the Audit Commission and appointed auditors in relation to claims and returns are set out in the 'General Certification Instructions' produced by the Audit Commission.

Auditors appointed by the Audit Commission are required to:

- review the information contained in a claim or return and to express a conclusion whether the claim or return is: i) in accordance with the underlying records; or ii) is fairly stated and in accordance with the relevant terms and conditions;
- examine the claim or return and related accounts and records of the Local Authority in accordance with the specific grant certification instructions;
- direct our work to those matters that, in the appointed auditor's view, significantly affect the claim or return;
- plan and complete our work in a timely fashion so that deadlines are met; and
- complete the appointed auditor's certificate, qualified as necessary, in accordance with the general guidance in the grant certification instructions.

These responsibilities do not place on the appointed auditor a responsibility to either:

- identify every error in a claim or return;
- or maximise the authority's entitlement to income under it.

### **Non-certification of NNDR3 return for 2013/14**

From 2013/14 the NNDR3 return is no longer subject to external certification. In previous years we have placed reliance on the certification of this claim which has reduced the quantum of testing required on non-domestic rates in the main audit. The absence of the NNDR3 certification will therefore have the effect of increasing the work required around non-domestic rates to support our main audit opinion. We understand the Audit Commission are considering whether a fee adjustment should be made for this.

### **Housing Benefit claim**

A local Council Tax Reduction scheme has replaced the national Council Tax Benefit scheme from 1 April 2013. The funding receivable from the government in respect of this is not subject to external certification.

We continue to plan our approach to the Housing Benefit Subsidy certification and are in contact with officers to ensure appropriate progress is made to meet the deadlines required.

# Responsibility statement



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. We enhance this reporting with observations arising from our audit work and our Insight Plan performed to date which are designed to help the Audit, Governance and Standards Committee discharge its governance duties. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit
- Key regulatory and corporate governance updates, relevant to you

### What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by Management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you with this report.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

### Deloitte LLP

Chartered Accountants

Leeds

27 May 2014

This report has been prepared for the Audit, Governance and Risk Committee, 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

# Appendices

# Appendix 1: Independence and fees

## We confirm we are independent of Hambleton District Council

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below:

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<b>Independence confirmation</b>	We confirm we are independent of Hambleton District Council and will reconfirm our independence and objectivity to the Audit, Governance and Standards Committee for the year ending 31 March 2014 in our final report to the Committee.
<b>Fees</b>	Our audit fees are set by the Audit Commission in line with national scale fees. Details of the non-audit services fees proposed for the period have been presented separately on the following page.
<b>Non-audit services</b>	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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# Appendix 1: Independence and fees (continued)

## We have set out below our audit fees for 2013/14

The table below details our proposed audit fees and non-audit fees for the year ending 31 March 2014 for those services for which we have been engaged or proposed for as at the date of this report.

	Current year £'000	Prior year £'000
Fees payable in respect of our work under the Code of Audit Practice in respect of Hambleton District Council's annual accounts, assurance report on the Whole of Government accounts and the value of money conclusion (note 1)	53	53
Fees payable for the certification of grant claims (note 2)	15	20
<b>Total fees payable in respect of our role as Appointed Auditor</b>	<b>68</b>	<b>68</b>
<b>Non audit fees (note 3)</b>	-	-

### Note 1:

From 2013/14 the NNDR3 return is no longer subject to external certification. In previous years we have placed reliance on the certification of this claim which has reduced the quantum of testing required on non-domestic rates in the main audit. The absence of the NNDR3 certification will therefore have the effect of increasing the work required around domestic rates to support our main audit opinion. We understand the Audit Commission are considering whether a fee adjustment should be made for this.

### Note 2:

The scale fee for 2013/14 is based on actual certification fees for 2011/12 adjusted to reflect the absence of NNDR3 certification and the exclusion of Council Tax Benefit from the Housing Benefit subsidy certification work. The Commission accept that grants work varies year on year and the work in 2011/12 may not be representative of the work required in 2013/14 and hence an adjustment may be required once the 2013/14 work is complete.

### Note 3:

Deloitte have not undertaken any additional non-audit work at the Council in either 2013/14 or 2012/13. The certification of grant claims is an inherent part of the Audit Commission's audit regime, and we (and the Commission) do not consider these fees to be non-audit services.

## Appendix 2: Fraud: responsibilities and representations

As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

### Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### Responsibilities

#### Your responsibilities

- The primary responsibility for the prevention and detection of fraud rests with Management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

#### Our responsibilities

- We are required to obtain representations from your Management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 5 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for the Council.

Our responsibilities and those of the Council are explained in the Audit Commission's publication, 'The responsibilities of Auditors and of Audited Bodies – Local Government' issued March 2010.

## Appendix 2: Fraud: responsibilities and representations (continued)

We make enquiries of Management, internal audit and the Audit, Governance and Standards Committee regarding fraud.

We will make the following inquiries regarding fraud:

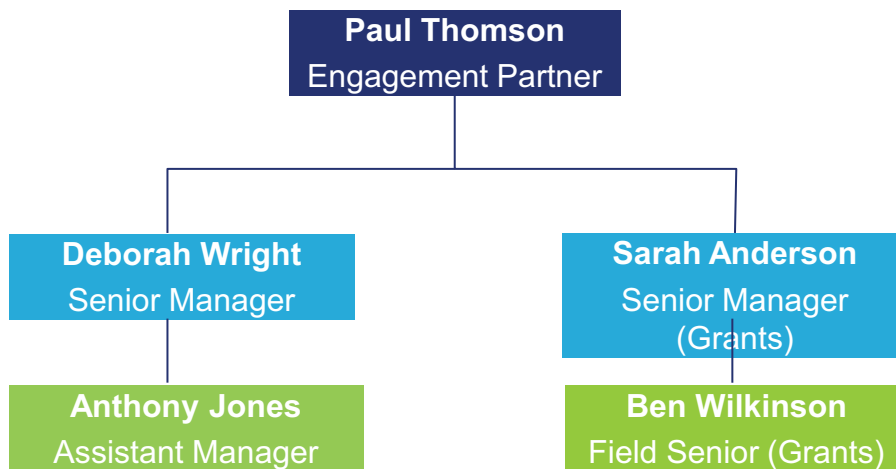
Management	Internal Audit	The Overview and Scrutiny committee
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments. Management's process for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to employees regarding its views on business practices and ethical behaviour. Whether Management has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>	<p>Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, to obtain their views about the risks of fraud, and to obtain status reports on fraud cases during 2013/14.</p>	<p>How the committee exercises oversight of Management's processes for identifying and responding to the risks of fraud in the entity and the internal control that Management has established to mitigate these risks.</p> <p>Whether the committee has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>

We will request the following to be stated in the representation letter signed on behalf of the Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:
  - (i) Management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

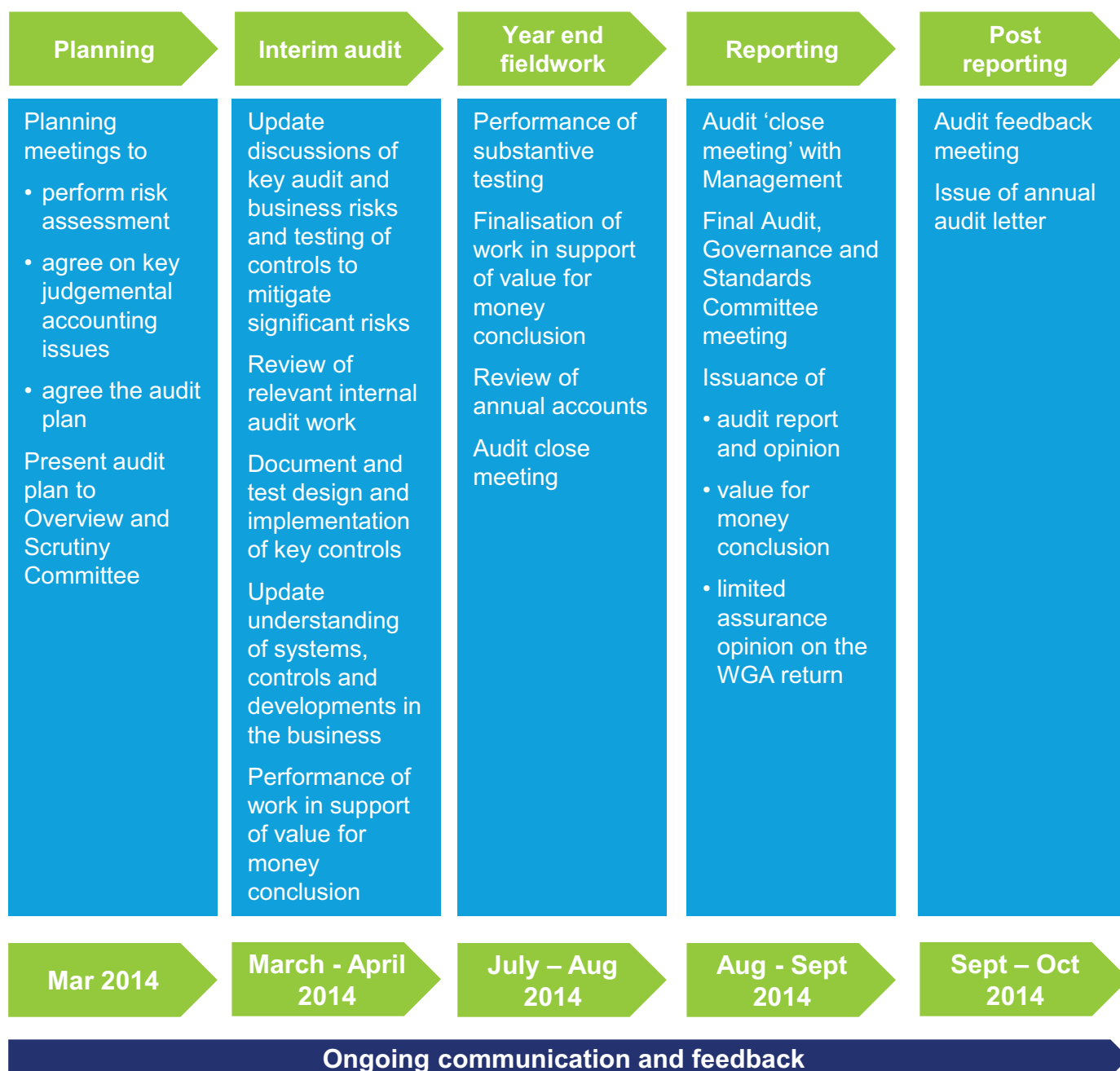
## Appendix 3: Your audit team

A senior team, with continuity from last year, that incorporates specialists to perform audit work over grants and also provide insight and add value to the Council. Our team is selected from our group of public sector specialists.



# Appendix 4: Timetable

Set out below is the approximate expected timing of our reporting and communication with Management and those charged with governance.







## Appendix 5: State of local public services

We summarise the outcome of our research which provides further context for our audit

During the spring and summer of 2013, Deloitte conducted detailed research to answer a simple question: what is the state of the UK state? As part of the research, we commissioned IPSOS MORI to capture the attitudes of people that run local public services. The results provide a snapshot of local services during a period of profound change.

We have summarised the key messages in relation to local public services below.

### Overall

Overall chief executives told us that they feel their organisations are coping well and responding effectively to the challenging circumstances.

They also said that while the depth and speed of change has been difficult for staff, morale is holding up, although future cuts create understandable concerns.

### Link between local economies and local services has moved up the agenda

Combined with cuts, the recession has put the health of local economies high on the agenda. Weak economic growth and unemployment has increased pressure on the local public sector as demand for spending has increased. This concern was a clear theme, particularly at a time when cuts are reducing capacity to provide. One police respondent reported that while crime was down overall, shoplifting for food has increased.

### Local public service executives fear the impact of welfare reforms

Our research suggests that public service leaders are particularly concerned about the fallout from welfare reform. Some wondered if central government has assessed whether savings on welfare spending will be counterbalanced by increased demand on local services. This was particularly a concern for directors in childrens services where interviewees described rises in child protection cases. Many expressed concerns that cuts will affect their ability to invest in preventative services.

### The people in our local public services are focused on opportunities – not just challenges

Our research showed that local public service executives see the current climate as an opportunity to refocus their services on residents' needs and outcomes, as well as to use creativity rather than resources to solve problems. One police respondent told us that in the past, additional finance would have been used to deliver change – but now, the force explores service redesign. On balance, interviewees felt that the opportunities of the coming five years outweigh the challenges.



## Appendix 5: State of local public services (continued)

### **The game has changed – so have leadership priorities**

When interview responses were collated, a striking trend emerged: organisational leaders are focused on their people and how they can be empowered to rise to their organisation's challenges. Public value is a notably important issue; a number of executives mentioned values – such as caring, fair and trusted – as being central to the public service ethos. At a time of public sector headcount reductions, interviewees spoke of the importance of attracting staff with the right skills.

### **A new public services landscape has brought a new set of risks**

A number of interviewees told us about the advantages of public sector partnerships in delivering joined-up services, transferring knowledge and generating savings. Most thought that partnerships with the private and third sectors were also beneficial. They thought that cross-sector working brought specific benefits, including exposure to new ideas and new delivery models, efficiency and quality from private sector and local knowledge and niche services from the third sector. But many also recognised that commissioning and partnerships outside the public sector brought new, critical risks that needed to be managed.

# Appendix 6: Briefing on Audit matters

## Published for Those Charged With Governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

## Approach and scope of the audit

<p><b>Primary audit objectives</b></p>	<p>We conduct our audit in accordance with International Standards on Auditing (UK &amp; Ireland) as adopted by the UK Financial Reporting Council ("FRC") and the Code of Audit Practice as established by the Audit Commission. Our statutory audit objectives are:</p> <ul style="list-style-type: none"> <li>• to express an opinion in true and fair view terms to the members on the financial statements;</li> <li>• to express an opinion as to whether the accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting;</li> <li>• To express an opinion as to whether the entity has put in place appropriate systems and processes to secure value for money in its use of resources; and</li> <li>• to express an opinion as to whether the Annual Governance Statement, is consistent with the financial statements and our knowledge of the Council.</li> </ul>
<p><b>Other reporting objectives</b></p>	<p>Our reporting objectives are to:</p> <ul style="list-style-type: none"> <li>• present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and</li> <li>• provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.</li> </ul>

# Appendix 6: Briefing on Audit matters (continued)

## Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

# Appendix 6: Briefing on Audit matters (continued)

## Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK and Ireland)”) we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of ‘clearly trivial’. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

## Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to members and create value for management and the Board whilst minimising a “box ticking” approach.

Our audit methodology is designed to give directors and members the confidence that they deserve.

For controls considered to be ‘relevant to the audit’ we evaluate the design of the controls and determine whether they have been implemented (“D & I”). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures

## Appendix 6: Briefing on Audit matters (continued)

### Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities to consider fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities related to other information in documents containing audited financial statements

# Appendix 6: Briefing on Audit matters (continued)

## Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

## Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Ethical Standards issued by the Auditing Practices Board (“APB”), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.

In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm’s policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT, formerly known as the Audit Inspection Unit), which is part of the FRC’s Conduct Division, and the ICAEW’s Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW’s Audit Registration Committee.



## Appendix 6: Briefing on Audit matters (continued)

### Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any closely-related person) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any closely-related person) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any closely related persons) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

### Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

### APB Ethical Standards

The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.





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## **HAMBLETON DISTRICT COUNCIL**

**Report to:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

**Subject:** **REVIEW OF RISK MANAGEMENT**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 A critical purpose of the Audit, Governance and Standards Committee is to monitor the Strategic Risks affecting the Council ensuring that these are appropriately measured and that suitable actions are undertaken to mitigate the effect of each risk.
- 1.2 The Council has a robust risk management process in place which includes a comprehensive risk register. The risk register is divided into operational and strategic risks; operational risks are those affecting individual services and tend to involve the day to day running of those services, whilst strategic risks affect the whole Council and are wide reaching, both in terms of timescales and impact.
- 1.3 The operational risks are reviewed by each service on a quarterly basis and annually by the Director responsible for the service to reflect upon their appropriateness and the adequacy of the mitigation. Strategic risks are reviewed quarterly by Management Team and the Audit, Governance and Standards Committee.
- 1.4 The current list of strategic risks together with their score and mitigating actions are presented in Annex 'A'.

### **2.0 RISK MANAGEMENT:**

- 2.1 There are no risks associated with the recommendations of this report.

### **3.0 RECOMMENDATIONS:**

- 3.1 It is recommended that the Committee review and note the strategic risks affecting the Council and the actions that are in place to mitigate the impact upon the Council of each risk.

JUSTIN IVES

**Background Papers:** Annual Review of the Risk Management Strategy – Audit Governance and Standards Committee Report – October 2013

**Ref:** JI

**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
Direct Line No: (01609) 767022

180614 Review of Risk Management

Annex A

Active Strat Risks 2014-15

Risk ID	Risk Name	Mandatory - cannot be closed	Org Level	Risk Category	Status	Likelihood: Impact	Score	Risk Level	Service	Service Director	Risk Manager	Action Plan
394	The Shared Services (SP002) exit strategy needs to take account of difficulties faced when separating individual shared services to avoid unexpected cost and complications to both councils.		Strat	Customer / Citizen, Reputational	Active	5x5	25	High	Finance	Justin Ives	Phil Morton	Programme of repatriation and SLAs. Case by case examination of costs and impact.
423	Continued downturn in local housing market leads to reduced ability to deliver affordable housing through planning, resulting in failure to achieve corporate plan target and to address housing need		Strat	Customer / Citizen, Reputational, Social	Active	4x4	16	High	Strategic Housing	Mick Jewitt	Sue Walters-Thompson	Affordable housing targets and thresholds to be reviewed as part of LDF review RHE focus on delivery via exception sites that are not reliant on market
115	Market conditions or ineffective spatial planning leads to a reduction in new homes completions and results in the Council not meeting its new homes target and consequently New Homes Bonus & Council Tax receipts.		Strat	Reputational	Active	5x3	15	High	Planning Policy	Mick Jewitt	Mark Harbottle	Maintain an up to date set of LDF documents. Monitor progress and review LDS. Staff to concentrate on LDF Policy Review as a priority. Use of consultants to assist. Also work closely with developers to bring sites forward. Regular performance monitoring and good project management.
522	Failure of the Council's website removes the principal communication and compliance tool, blocks transparency and denies residents' payment facilities and emergency information resource, leading to reputational, legal and financial loss.	M	Strat	Customer/Citizen, Financial, Legal, Reputational	Active	3x5	15	High	Communications	Dave Goodwin	Aly Thompson / Dave Goodwin	Ensure a Business Continuity Plan is in place, and published, to include a sustainable link with NYCC for provision of emergency information.
416	Significant reductions in government grant leading to the inability to sustain council services at the current level.		Strat	Financial	Active	3x4	12	High	Finance	Justin Ives	Justin Ives	An on-going programme of service delivery and saving reviews that ensures best value is being achieved and income is maximised
540	Failure of Human Resources SLA leading to lack of resilience in payroll staffing & failure to pay employees accurately and on time; results in low staff morale and loss of reputation, managers not using the service to support transition impacts on staff morale leading to reduction in service delivery with impact to internal and external customers/citizens.		Strat	Customer / Citizen, Health & Safety, Legal, Reputational	Active	3x4	12	High	Human Resources	Justin Ives	Justin Ives	More than one officer in Payroll can carry out the required functions and the role of HR is well publicised internally, particularly the assistance that they can provide to Managers.
81	Financial recession/credit crunch and legislative change leads to fewer planning applications and therefore reduced income		Strat	Financial	Active	5x2	10	Med	Development Management (incl Land Charges)	Mick Jewitt	Mark Harbottle	Regular budget monitoring and reporting of the position.
227	Unable to access HDC services due to ineffective individual business continuity plans and emergency leading to poor customer satisfaction and loss of reputation.		Strat	Reputational	Active	2x5	10	Med	Communications	Dave Goodwin	Dave Goodwin	Programme of reviewing Business Continuity plans. NYCC person appointed. DG meeting Friday 1st Feb.
380	Setting of the Community Infrastructure Levy (CIL) rate not completed in time leading to loss of income needed for investment in infrastructure		Strat	Financial	Active	2x5	10	Med	Development Management (incl Land Charges)	Mick Jewitt	Mark Harbottle	The Government has indicated that the date by which CIL would need to be in place will go back a year. In view of this and in light of responses to the Provisional Draft Charging Schedule, a new project time scale can be agreed with Members without increasing the risk.

# Annex A

## Active Strat Risks 2014-15

Risk ID	Risk Name	Mandatory - cannot be closed	Org Level	Risk Category	Status	Likelihood: Impact	Score	Risk Level	Service	Service Director	Risk Manager	Action Plan
443	Failure to implement the Council's Information Strategy leads to violation of Data Protection Act resulting in possible fine by the Information Commissioner and/or failure to make decisions leading to legal challenge	M	Strat	Customer / Citizen, Financial, Legal, Reputational	Active	3x3	9	Med	ICT (inc. Reographics)	Justin Ives	Justin Ives	Existing action plan and information strategy being reviewed, includes: Policies being updated & redistributed All staff and Members being retrained on Data Protection; All staff retrained on Data Protection, Members training sessions Oct '13 and Q1 '14.
139	Failure of the Hambleton Community Safety Partnership (SP004) leads to non-compliance with statutory regulations for HDC		Strat	Legal	Active	2x4	8	Med	Business & Community	Dave Goodwin	Dave Goodwin	Review effectiveness of plan and partnership annually.
383	Failure to review and update emergency plans leads to inadequate response to emergencies resulting in loss of reputation.		Strat	Reputational	Active	2x4	8	Med	Communications	Dave Goodwin	Dave Goodwin	HDC to maintain review process with NYCC Emergency Team
388	Lack of investment in ICT infrastructure causes inability to maintain systems leading to inability to deliver services effectively.		Strat	Economic, Reputational	Active	2x4	8	Med	ICT (inc. Reographics)	Justin Ives	Justin Ives	The Capital programme for investment in ICT infrastructure has been reviewed.
392	Failure to effectively manage the transition from a single Shared ICT service into separate HDC ICT services and current lack of resource leads to negative impact on service delivery.		Strat	Customer / Citizen, Financial, Health & Safety, Reputational	Active	2x4	8	Med	ICT (inc. Reographics)	Justin Ives	Justin Ives	A project has been developed to manage transition. Appropriate resources have been assigned.
214	Failure to increase participation in physical activity means the Council will not be meeting its targets of improving the health care needs of its residents.		Strat	Social	Active	3x2	6	Med	Leisure & Health	Dave Goodwin	David Ashbridge / Lisa Wilson	Health and physical activity plan, signed up to by multi agencies
225	Failure to manage Capital Programme leading to inability to deliver Council Services efficiently and effectively leading to lack of customer satisfaction and increased risks e.g. safety of premises		Strat	Reputational	Active	2x3	6	Med	Finance	Justin Ives	Justin Ives	Review and management of Capital Programme
461	Failure to implement the Councils Equalities and Diversity Policy leads to potential discrimination and legal action which could have adverse publicity and fines to the Council	M	Strat	Legal, Reputational	Active	3x2	6	Med	Improvement & Information	Justin Ives	Gary Nelson	Develop and deliver training to all staff.
377	Failure to ensure that Risk Management is undertaken results in failure to manage risks resulting in negative outcome for the Council.		Strat	Customer / Citizen, Reputational	Active	1x4	4	Med	Improvement & Information	Justin Ives	Gary Nelson	Annual review of Risk Guide including feedback from insurance broker on suitability of process and contents of register.
466	Failure of the Environmental Health SLA leads to a failure of service delivery resulting to a loss of service to the public and the council needing to identify a new way of providing this service		Strat	Customer / Citizen, Reputational	Active	1x4	4	Low	Communications	Dave Goodwin	Dave Goodwin	Weekly meetings held to review performance and identify any potential significant challenges/risks. HDC Policies are amended/developed as required.
142	Failure of Veritau Audit Partnership (SP011) resulting in loss of internal audit coverage at Hambleton leading to potential exposure to risk		Strat	Partnership/ Contractual	Active	1x2	2	Low	Finance	Justin Ives	Justin Ives	Bring the service back in-house

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
18 June 2014

**From:** Director of Support Services and Deputy Chief Executive

**Subject:** **POLITICALLY RESTRICTED POSTS**

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 As part of its functions the Committee is responsible for approving the list of politically restricted posts. This report asks the Committee to review the list because of re-organisation and changes in job titles within the Council.
- 1.2 Under the Local Government and Housing Act 1989 certain posts within the Council are politically restricted. This means that persons within those posts are prevented from becoming or remaining Members of a Local Authority or indeed standing for election to parliament. Every Local Authority has to maintain a list of politically restricted posts. Certain categories of Officer are required to be on the list.
- 1.3 Those required to be the list on the list are:-
- (a) Head of the Authority's Paid Service;
  - (b) any Statutory Chief Officer;
  - (c) any Non-Statutory Chief Officer;
  - (d) a Deputy Chief Officer (Head of Service);
  - (e) a Monitoring Officer;
  - (f) any Political Assistants;
  - (g) those posts where in the Council's opinion the Officer gives advice on a regular basis to the Council, the Cabinet or any Committee or Member of the Cabinet.
- 1.4 The Council is required to deposit the list with the Proper Officer and to deposit any subsequent lists with the Proper Officer. The Proper Officer is the person designated from time to time by the Council for that purpose (currently the Chief Executive).
- 1.5 It is also deemed to be a condition of the employment of all those in politically restricted posts that their political activities are restricted in accordance with the Act.
- 1.6 Attached as an Annex is the proposed revised list. This takes on board recent changes in staffing. In respect of the category of "Other Officers", the Committee needs to be satisfied that they give advice on a regular basis to the Council, Cabinet, Committees or Members of the Cabinet or they speak on behalf of the Council on a regular basis to journalists or broadcasters.

### **2.0 RECOMMENDATION:**

- 2.1 It is recommended that the list at the Annex be approved.

JUSTIN IVES

**Background papers:** None  
**Author ref:** JI  
**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
Direct Line No: (01609) 767022

**LOCAL GOVERNMENT AND HOUSING ACT 1989**  
**POLITICALLY RESTRICTED POSTS – REVISED LIST**

**Chief Officers:**

Chief Executive  
Director of Support Services and Deputy Chief Executive  
Director of Environmental and Planning Services  
Director of Customer and Leisure Services  
Corporate Director

**Other Officers**

Head of Customer and Economy Services  
Head of Environmental Services  
Head of Planning and Housing  
Head of Legal and Information Services  
Head of Leisure and Community Services  
Head of Resources  
Corporate Finance Manager  
Corporate Facilities Manager  
Communications Manager  
Development Managers  
Business and Community Manager  
Legal Manager  
Benefits and Taxation Manager  
Community Safety Manager  
Planning and Housing Policy Manager  
Waste and Street Scene Manager  
Customer Services Manager  
ICT Manager  
Business and Community Officer  
Business Engagement Officer  
Committee Officer