

Annual  
Governance  
Statement  
2015/2016



## Introduction

The Leader of the Council (Cllr Robin Howe) and the Managing Director (Joanne Lancaster) both recognise the importance of having good rules, systems and information available to guide the Council when managing and delivering services to the communities of Huntingdonshire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working.

This AGS is in respect of 2015/16 and was considered and approved by the Corporate Governance Committee at its meeting on 27 September 2016.

The Council also publishes an annual report. The 2015/16 [report](#) is available on the Council website. It provides further information on the challenges and opportunities faced by the Council.

## What is Corporate Governance?

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

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

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

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

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

# The Principles

## A summary

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### Principle 1

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

#### This will be achieved by:

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

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

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

### Principle 2

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

#### This will be achieved by:

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

Clearly setting out the roles and responsibilities of Members and Officers

Defining what is expected from partners

### Principle 3

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

#### This will be achieved by:

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

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

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

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

### Principle 4

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

#### This will be achieved by:

Having rigorous and transparent decision making processes in place

Maintaining an effective scrutiny process

Acting within the law

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

Ensuring that an effective risk management system is in place

### Principle 5

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

#### This will be achieved by:

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

Evaluating Members' and Officers' performance

### Principle 6

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

#### This will be achieved by:

Developing constructive relationships with stakeholders

Taking an active and planned approach to dialogue with the public

Regularly consulting with employees and their representatives

# How do we know our arrangements are working?

## Governance Framework

- Delivery of Corporate Plan priorities
    - Services are delivered economically, efficiently & effectively
      - Management of risk
      - Financial planning and performance
        - Effectiveness of internal controls
        - Community engagement & public accountability
        - Shared service governance
          - Project management & project delivery
          - Procurement processes
          - Roles & responsibilities of Members & Officers
            - Standards of conduct & behaviour
            - Training and development of Members & Officers
            - Compliance with laws & regulations, internal policies & procedures
- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Cabinet, Committees and Panels
- Corporate and service plans
- Shared service joint committee
- Policy framework
- Risk management framework
- Project management methodology
- Financial Performance Monitoring Suite
- Medium Term Financial Strategy
- Customer Service Strategy
- Consultation and Engagement Strategy
- Complaints system
- Head of Paid Service, Monitoring Officer and S151 Officer
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Staff and Member training
- Codes of conduct
- Corporate Management Team
- Independent external sources



Assurance  
Required Upon

Sources of  
Assurance

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website. This statement therefore describes the key changes and developments within the Council's governance framework during 2015/16 and up to the date of approval of the Annual Financial Report. The progress that has been made in dealing with the significant governance issues identified last year is included and the significant governance issues that have been identified from the governance review are highlighted.

This statement allows the Council to meet the requirement of the Accounts & Audit (England) Regulations 2016, to prepare and publish an AGS to accompany the 2015/16 Annual Financial Report.

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- Regular performance and financial reporting
  - Annual financial report
  - External audit reports
  - Internal audit reports
  - Officer governance groups
  - On-going review of governance
  - External reviews and inspectorate reports
  - Customer feedback
  - Peer reviews
  - Council's democratic arrangements incl, scrutiny reviews and the 'audit' committee
  - Staff surveys
  - Community consultations
- Continued development of effective governance and reporting arrangements for shared services
  - Improve debt management

Assurances  
Received

Opportunities  
to Improve

Annual  
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# Dealing with last year's key improvement areas

**Develop robust and effective reporting arrangements for shared services.**

## **Action taken**

In July 2015 the Council approved shared service governance arrangements. A Joint Committee has been set-up with Cambridge City Council and South Cambridgeshire District Council. The Council has not delegated any decision making powers to the Joint Committee.

The Joint Committee provides advice, oversight, challenge and endorsement of the shared services business plans and budget.

The Joint Committee will receive regular updates on the operation of the shared services and will take reports and recommendations for decision to their respective Executives (and full Council, if appropriate), at agreed points and with the engagement of each Council's Scrutiny committees.

Meetings of the Joint Committee are to be held in public from April 2016.

The 2014/15 annual governance statement contained two key improvement areas. As outlined below, significant progress has been made in each area. The project management issue is no longer considered to be of concern.

The Council's shared service arrangements with Cambridge City Council and South Cambridgeshire District Council are still developing and whilst there are no issues of concern, it is felt that the shared service initiative is strategically important – both in terms of improving service outcomes and the delivery of financial savings – that it should remain as a key improvement area for 2015/16. Further information on shared services can be found on page 12.



**Improve project management practices including Officer compliance with the project management toolkit.**

**Action taken**

All five of the recommendations agreed by Cabinet in April 2015 to improve project management have been introduced.

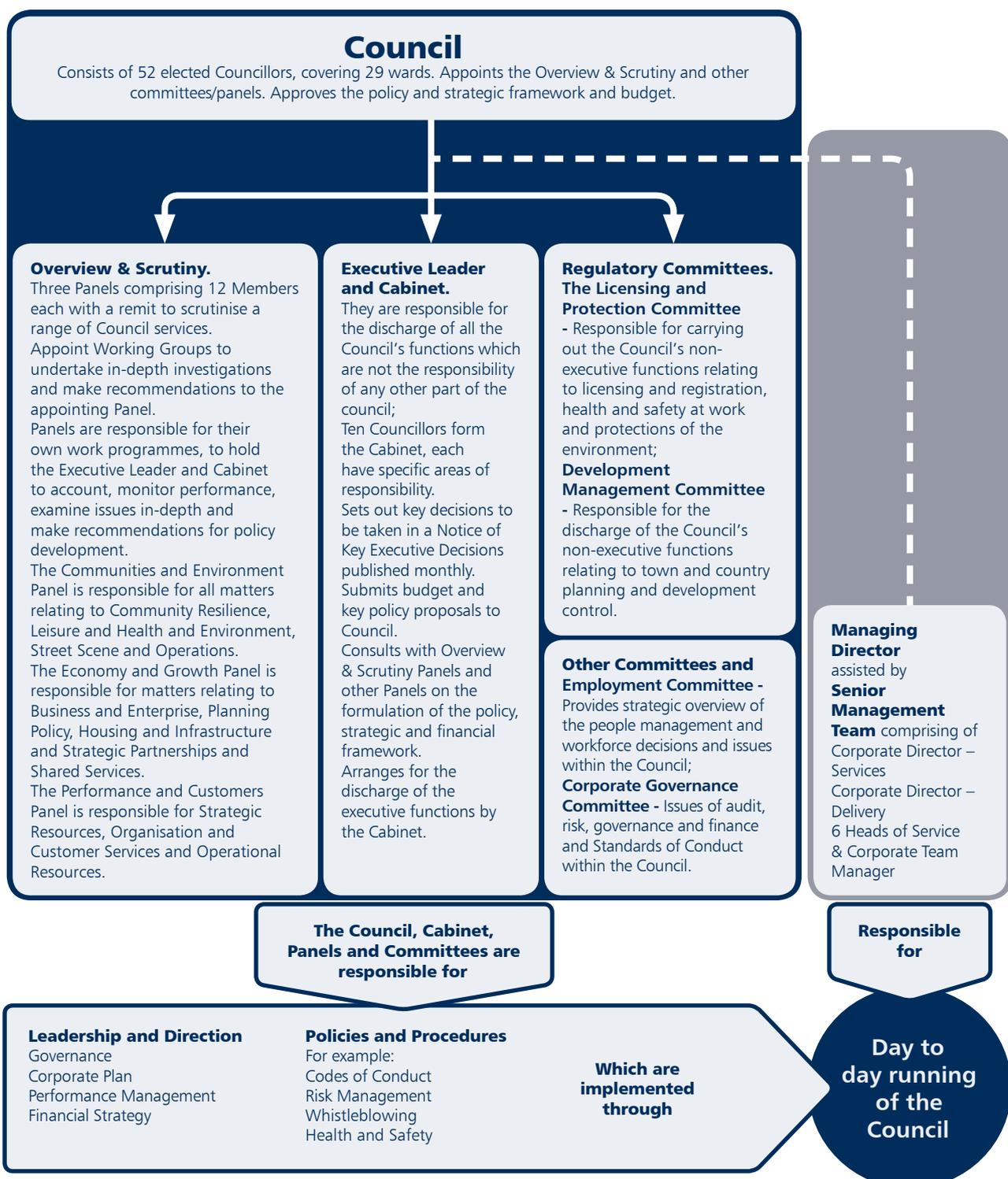
The Project Management Governance Board meets regularly to review progress on individual projects, question lead officers and oversee compliance with the toolkit.

All projects are reported quarterly to the Corporate Management Team and the Overview and Scrutiny Panel (Performance & Customers).

# The Council: How it works

All Councillors meet together as the Council. Meetings are normally open to the public. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution.

The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Code of Conduct for Members'.



During 2015/16 the Council's Constitution was reviewed to ensure that it:

- remained up to date (with legislation and case law) and fit for purpose
- allowed decision making to be carried out effectively and in an efficient and timely manner
- provided greater clarity on the roles of Officers and Members, and
- was easier to understand and so become more accessible to the public.

A cross party Constitution Review Advisory Group was set-up to support the Monitoring Officer in undertaking the review. The new Constitution was approved by the Council in March 2016.

One of the changes introduced was the renaming of those Panels who had delegated decision making powers (Corporate Governance, Development Management and Licensing and Protection) to Committees. The Overview and Scrutiny Panels do not have delegated decision making and therefore the names are unchanged.

The Standards Committee (which dealt with issues relating to the conduct of Members) has also been disbanded and these responsibilities transferred to the Corporate Governance Committee. The Standards Committee also considered customers complaints about the Council, and this function has been transferred to the Overview and Scrutiny Panel (Performance and Customers).

The Council is controlled by the Conservative Party. Following the May 2016 District Council elections, they elected a new Executive Leader of the Council – Cllr Robin Howe, who replaced Cllr Jason Ablewhite (who was elected to the position of Police and Crime Commissioner). Cllr Howe was previously the Deputy Leader of the Council. Cllr Howe has restructured the portfolio responsibilities of Executive Councillors and in doing so has increased the number of Executive Councillors from 8 to 10. The portfolio positions reflect the three themes of the Council's 2016/18 Corporate Plan:

- Enabling Communities
- Delivering Sustainable Growth
- Becoming a More Efficient and Effective Council

Further information on the Constitution and decision making structure including dates of meetings, agendas and reports can be found on the Council's [webpages](#).

The Council's Vision, Strategic Priorities and Objectives are contained within its Corporate Plan, which covers a two year period. The Plan sets out what the Council aims to achieve in addition to the core statutory services. The 2014/16 Plan was reviewed and refreshed in April 2015 and led to a number of changes to the key actions to be delivered during 2015/16.

The [2016/18 Plan](#) was approved by the Council in March 2016.

The Corporate Plan includes a number of key performance measures that provide additional supporting information for each Strategic Priorities and are [reported](#) to the Overview and Scrutiny Panels, Cabinet and the Corporate Management Team.

## 2016/18 Strategic Priorities and Objectives

### **Enabling Communities** - our objectives are to:

- Create, protect and enhance our safe and clean built and green environment
- Support people to improve their health and well-being
- Develop stronger and more resilient communities to enable people to help themselves

### **Delivering Sustainable Growth** - our objectives are to:

- Accelerate business growth and investment
- Remove infrastructure barriers to growth
- Develop a flexible and skilled local workforce
- Improve the supply of new and affordable housing, jobs and community facilities to meet future need

### **Becoming a More Efficient and Effective Council** - our objectives are to:

- Become more efficient in the way we deliver services providing value for money services
- Become a customer focused organisation

The Managing Director is the Council's Head of Paid Service and is responsible for how the Council operates. She is assisted by the [Senior Management Team](#) (SMT).

The Council is required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair. The Corporate Director (Services) held this post throughout 2015/16 and up until leaving the authority in July 2016 when she was replaced on a temporary basis by a Democratic Services Officer. On 22 August 2016 Cambridge City Council's Head of Legal Practice (via the Legal Services shared services arrangements) took up the position.

The Council and its decisions are [open and accessible](#). All reports requiring a decision are considered by appropriately qualified legal and finance staff before being considered by relevant decision making forum.

In meeting the requirements of the Local Government Transparency Code 2015 the Council has also published on its website a wide range of ['open data' and information](#).

During 2015 the Local Government Boundary Commission for England reviewed the Council's electoral arrangements. As a result of the review the Council decided in December 2015 that from 3 May 2018, District Council elections will be held every four years. Councillors currently are elected by thirds, which means there is a District Council election in three out of four years. Further information is available on the Council's website, in the [Changing to Whole Council Elections – Explanatory Document](#)

## Shared Services

In July 2014, the Council agreed in principle to work in partnership with Cambridge City Council and South Cambridgeshire District Council (known collectively as the 3Cs) to deliver a range of shared services.

The first phase of this programme, which became operational in October 2015, involved shared services for ICT, Legal Services, and Building Control. The Council became the lead authority for the ICT shared service with Cambridge City Council becoming the lead authority for the other two. Staff employed within these three service areas were transferred to the appropriate lead authority and are managed by them.

Oversight and governance was established through establishing a Joint Committee (made up of the Leader of each Council) supported by an Officer Board, known as the Partnership Board for Shared Services (PBSS). The Joint Committee does not have any delegated powers or functions – these powers are retained by each Council.

The Joint Committees role is to provide advice, oversight, challenge and endorsement of the shared services business plans and budget. The Joint Committee meets in public and the dates of its meetings can be found on each of the 3Cs websites.

The PBSS comprises the three Heads of Paid Service together with a Corporate Director from each Council. It oversees the ongoing operation of the shared service arrangements. In addition, it considers developments of new shared service proposals for Joint Committee consideration prior to them being submitted to each Council for review and approval.

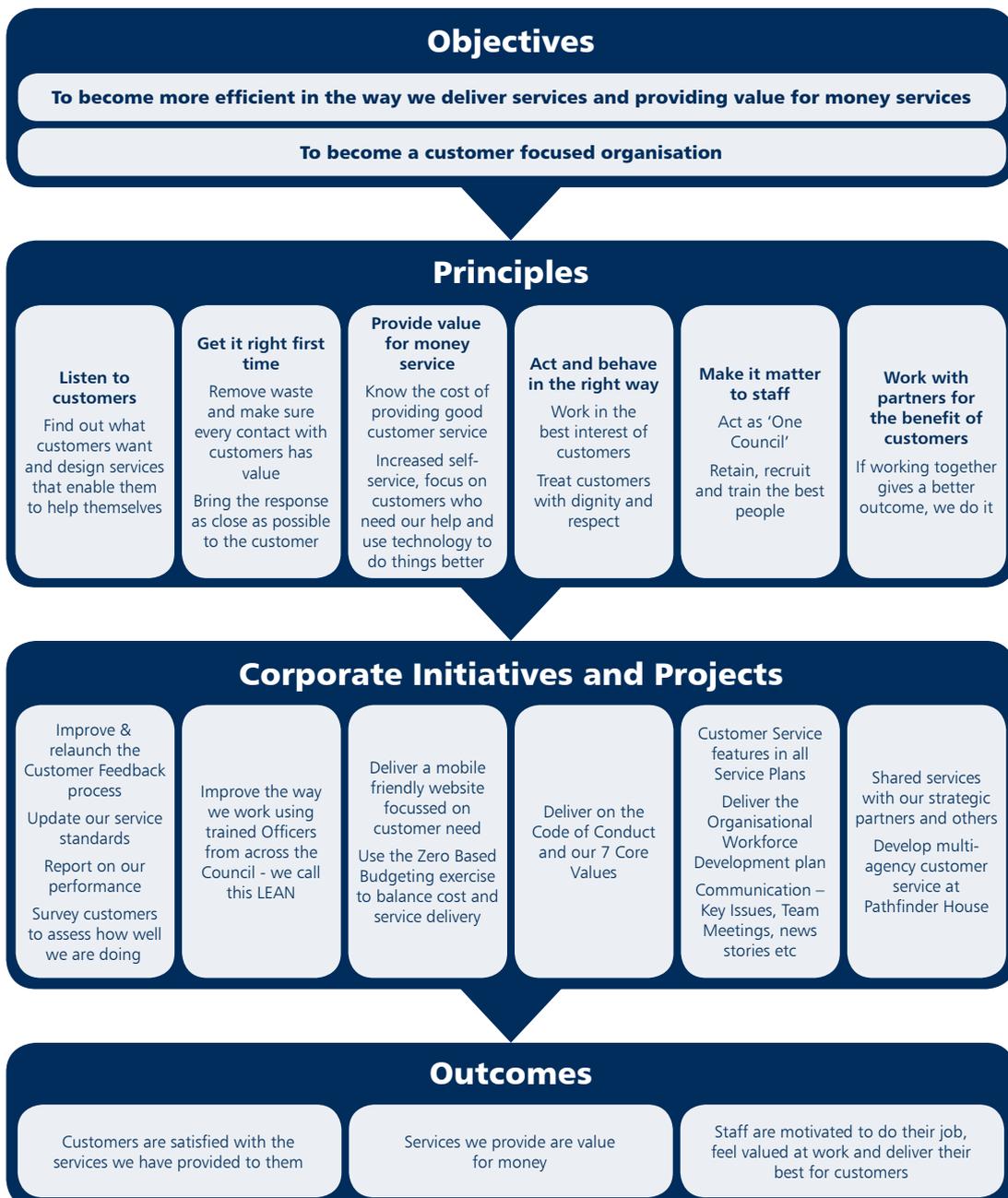
# Customer Service Strategy - 2015-2018

In December 2015 a new **Customer Service Strategy** was approved by Cabinet. The Strategy sets out how we will deliver the Corporate Plan objective of becoming a customer-focussed organisation.

The Strategy consists of six principles, key initiatives & projects and achievement measures (see table below). It also explains how both compliments and complaints about services can be reported and how they will be dealt with.

The Strategy is owned by all Officers through being linked to the Corporate Plan, Service Plans and into individual key performance objectives.

There are a number of important governance themes that flow throughout the Strategy which have been referenced in this or previous years Statements (e.g. Employees code of conduct, zero based budgeting, shared services). As initiatives and projects are developed that support the Strategy, updates will be provided in future years.



One of the key areas in which the Council keeps its residents informed is via its website: <http://www.huntingdonshire.gov.uk/>. The website was redesigned in 2015 so that it became easier to use on tablets and mobile phones –the method most used to access the website. The new site was launched in November 2015. Customer feedback has been very positive, as has the overall score assigned to the site through the national **Better Connected 2015/16** survey (undertaken by the Society for IT practitioners in the Public Sector), which gave the website a three (out of four) star rating – an improvement upon the 2015 one star rating - and also classed the site as passing both its mobile and accessibility standards.

The Council has also started to use social media more, to keep residents informed about ongoing events and provide immediate response to concerns and complaints about service standards.

[twitter.com/huntsdc](https://twitter.com/huntsdc)   
**2990 followers**

[facebook.com/Huntingdonshire](https://facebook.com/Huntingdonshire)   
**1062 'likes'**

[twitter.com/oneleisureuk](https://twitter.com/oneleisureuk)   
**1135 followers**

[facebook.com/oneleisureuk](https://facebook.com/oneleisureuk)   
**4183 'likes'**

Other governance issues that have been addressed during 2015/16 include:

A **revised governance structure** for the management and operation of the Council's Community Infrastructure Levy

The adoption of a **procurement policy**

Establishment of a **Reserves Strategy**

The adoption of a **Corporate Equality Objectives** for 2015/19

2016/17 **Treasury Management Strategy**

## Corporate Governance Committee seeking assurance

The **Corporate Governance Committee**<sup>1</sup> (CGC), as its name suggests, has responsibility for receiving reports that deal with issues that are key to good governance. It acts as the Council's audit committee. It met five times in 2015/16, considering a wide range of governance issues.

The 2014/15 AGS highlighted three specific areas of concern identified by the CGC:

1. The lack of any project management guidance.
2. Delays in introducing agreed internal audit actions.
3. The continuing 'little' assurance opinion that Internal Audit has given to the system for the collection of general debts.

Item 1 was identified as a significant AGS issue and the resulting action taken has been set-out on page 8.

<sup>1</sup> The former Corporate Governance Panel (2004 until May 2016) was renamed the Corporate Governance Committee following the 2015/16 Constitution review. For ease, reference to the CGC also includes reports and decisions made by the former Corporate Governance Panel.

In respect of item 2, the CGC raised this issue at the July 2015 Council who in turn referred the matter to the Cabinet. Whilst there was an immediate improvement in performance, this has subsequently tailed off. The percentage of audit actions introduced in time as at July 2016 was the lowest since April 2013. The CGC have been actively monitoring the situation during the year and have already taken action to address the fall in performance by calling to account those Heads of Service who have not been performing satisfactorily. Further action is planned, including requiring all Heads of Service to report the specific reasons why actions have not been introduced.

**Key Improvement Area for 2016/17**  
Improve debt management procedures and processes.

The 2015/16 annual Internal Audit report that was considered by the CGC in June 2016, identified item 3 as a continuing issue of concern. The accounts receivable system was given little assurance for the third successive year. Over that time little improvement had been made to the implementation of the systems and processes in place due to the difficulties in recruiting and retaining staff. After discussing the matter, the CGC felt that improving debt management should be included as a significant item for the AGS.

Since 2008 the CGC have considered each year how effective they have been in overseeing the Council's governance arrangements. The 2015 review was **discussed** by the CGC in September 2015, when five opportunities to further improve effectiveness were identified. Due to the Council's decision in March 2016 to disband the Standards Committee and transfer a number of its functions to the CGC, the membership of the CGC increased from 8 to 12 members. The Chairman of the Committee decided that the effectiveness review should be postponed until February 2017 so as to allow the new Committee members a better opportunity to contribute to the review.

This governance statement is reported to Council once it has been approved by CGC. The CGC also submits an **annual report** to Council that summarises its work and allows the Council to take comfort that key governance processes are being reviewed.

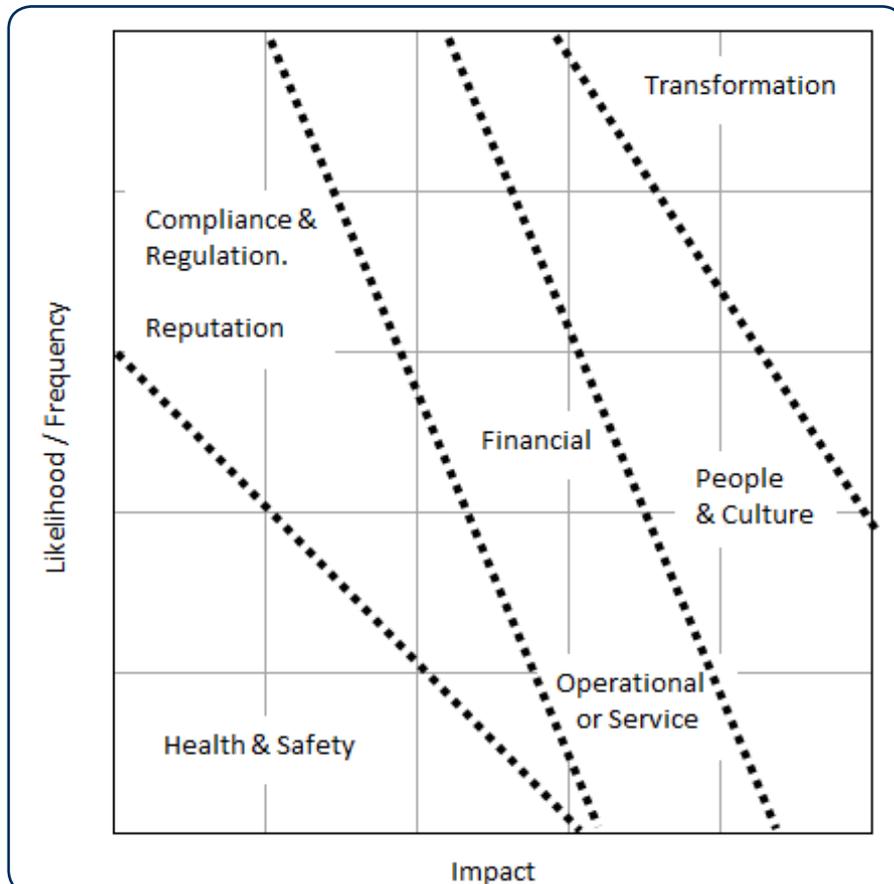
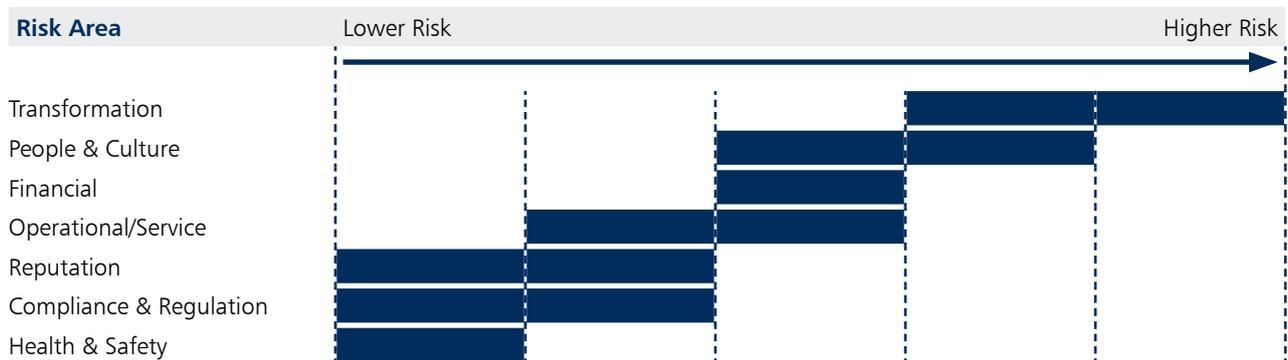
## Managing key risks

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

# Risk Management Strategy

The Council has a **risk management strategy**. It was reviewed by the Cabinet in July 2015 to ensure it remains appropriate and reflects the approach the Council wishes to take to the management of risk.

The successful delivery of the Corporate Plan priorities depends on the Council's ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable. The risk management strategy recognises this and different 'risk appetite' limits have been set that reflect seven key service aspects as shown below.



The Council operates a 5 x 5 risk 'matrix'. The risk appetite levels are reflected onto the matrix in the following way.

## Risk review process

Significant risks that may be potentially damaging to the achievement of the Council's Corporate Plan objectives are recorded in a risk register and assigned owners.

Senior Managers regularly review and update the risk register and are required to positively state the level of assurance they can place upon the controls that mitigate risks. This information is used by Internal Audit during annual audit planning and reviewed during individual audits.

Following approval of the risk management strategy in July 2015, SMT led a fundamental review of the content of the risk register and in doing so the number of risks on the register was reduced from more than 150 to just less than 100. The risks that were deleted were considered 'business as usual' items.

If the residual risk exceeds the 'risk appetite', Managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced.

The [corporate risk register](#) was reviewed by Cabinet in June 2016.

## Managing the risk of fraud

During 2014/15 the Dept. for Works & Pensions introduced a single fraud investigation service (SFIS) to consider all types of welfare fraud. Three members of the Council's corporate fraud team who investigated potential fraudulent Housing Benefit claims were transferred to that service in May 2015. The CGC having considered the likely impact of SFIS recommended to Council that a Corporate Fraud team should be retained.

In June 2015 the CGC approved a revised [Anti-Fraud and Corruption Strategy](#) which took account of accepted best practice<sup>2</sup> and the requirement for the Corporate Fraud team to focus on issues other than welfare fraud. This was a major change and in December 2015 CGC reviewed and approved the teams work plan and an amended fraud prosecution policy

### Anti-Fraud and Corruption Statement

Huntingdonshire District Council is committed to the highest possible standards of honesty, openness and accountability.

It will ensure that internal procedures are in place to identify, deter and prevent the risk of fraud and corruption and maintain clear and well publicised arrangements for receiving and investigating complaints.

The Council will pursue appropriate action, including the recovery of any losses it has suffered, in every case where fraud and corruption has been found.

(June 2015)

The Corporate Fraud team plays a key role in ensuring the Council meets the aims of its Anti-Fraud and Corruption Strategy.

<sup>2</sup> Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on managing the risk of fraud and corruption (October 2014) and accompanying guidance notes (December 2014).

### Corporate Fraud team achievements 2015/16

Investigated 332 allegations of fraud.

Identified fraud totalling over £697k.

11 social housing properties recovered, valued at £198k.

Undertook 27 prosecutions and issued 24 penalties/fines.

The Council (on behalf of five local authorities and four housing associations) successfully bid for £330k of funding from Central Government in December 2014 to introduce the Cambridgeshire Anti-Fraud Network (CAFN) to investigate all types of fraud, including tenancy fraud. The funding ended in March 2016.

The CAFN has had limited success. It's primary purpose was to set-up a Cambridgeshire wide data-sharing hub. Only three of the partners provided data consistently so reducing the opportunities for identifying fraud across Council boundaries. The Council intends to continue to pursue the development of the data-sharing hub with CAFN partners.

To act as a deterrent to fraudsters, the Council issues press releases in respect of all benefit fraud cases that it successfully prosecutes and maintains a 24/7 telephone line to allow the public to raise concerns about possible frauds.

The Council has a [whistleblowing policy](#). The Council is a signatory to the Public Concern at Works (PCaW) 'First 100 Campaign' – which required the Council to commit to support the PCaW Whistleblower Code of Practice.

In June 2015, the whistleblowing policy was amended to reflect the Code of Practice. This narrowed the scope of coverage. Previously any person was able to raise an issue under the policy, it now applies only to Council employees and those contractors who are working for the Council whether on their own premises or the Councils. The Council still wishes that all potential wrongs are reported to it, so it has retained the external facing 24 hr telephone line, dedicated email address and web-form.

A report detailing both the activity and performance of the [fraud team](#) and the general nature of the [whistleblowing](#) allegations received is presented to the CGC each year.

### Insight

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

# Responsible Financial Officer

The Head of Resources is the Responsible Financial Officer and is a member of the senior Management Team. He has responsibility for delivering and overseeing the financial management arrangements of the Council and has line management responsibility for the Finance team. The role conforms with the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

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

A report on the steps that have been taken to address the debt management concerns are being reported to CGC in September 2016.

## Managing resources

The Council is continuing to face increasing financial pressures but as shown in the Medium Term Financial Strategy it aims to be self-financing by 2020/21. In order to achieve this a number of initiatives have been introduced.

A zero based budget (ZBB) review commenced in September 2014 with a view to driving out costs from the base budget. By the end of 2015/16, all Council services had been subject to a ZBB review, which included a robust challenge of their budget and resourcing requirements by both Finance staff, external benchmarking and then a Cabinet 'Star Chamber'. Savings in excess of £1.9m were identified and these have been embedded into the 2016/17 budget.

To ensure that the approved budget is not overspent, good financial and performance management is more important than ever. On a quarterly basis, Cabinet receives a update for the preceding quarter in respect of key **performance and financial information**; this information is also reviewed by the Overview and Scrutiny Panel (Performance and Customers).

Whilst the revenue budget is usually the focus of attention, the monitoring of capital spending and the achievement of value for money is also important. To allow appropriate capital resource allocation, a new capital approval process has been developed by the Finance & Procurement Governance Board. The capital programming process requires that all capital requests are subject to approval of outline business cases, that are then scored and ranked against Corporate priorities as well as value for money criteria.

In addition to the above, changes to the Code of Financial Management and the Code of Procurement were approved by Council in March 2016. The Code of Financial Management sets out the framework that unpins financial governance across the Council.

# Disposal and Acquisitions policy and the Commercial Investment Strategy

As the Council is required to generate £3.6m of savings by 2020/21 a way of generating additional income is via selling assets or purchasing capital assets within the commercial environment. Consequently a new **Acquisitions & Disposals Policy** was approved in June 2015 (which included the formation of a Treasury & Capital Management Group). In September 2015 Cabinet approved the **Commercial Investment Strategy** (CIS) and then in December 2015 the CIS **Business Plan**. The Business Plan, as well as outlining the Council's approach to acquiring in excess of £70m in commercial assets with the aim of generating a revenue return to the Council, also details the governance arrangements around the CIS.

## Internal and External Audit assurance

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

## Internal Audit

The Council considers its Internal Audit Service to be a key component of its governance framework.

Each year the CGC review the Internal Audit Charter (which sets out the internal audit role and its responsibilities and clarifies its independence). In July 2015 one significant change was made - the requirement that all three Council's involved in the shared services liaise and agree upon the type and nature of assurance they will provide to one another.

Further changes to the **Charter** were made in June 2016 to reflect the April 2016 amendments to the Public Sector Internal Audit Standards (PSIAS).

### Purpose of Internal Audit

The Internal Audit Service has been established to:

- provide independent, risk-based and objective assurance, advice and insight to the Council on its operations
- enhance and protect value, by assisting management improve the delivery of the Council's objectives and operations through evaluating and challenging the effectiveness of risk management, control and governance processes.

Internal audit is required by the PSIAS to review how they work each year. The CGC considered the Internal Audit & Risk Managers effectiveness self-assessment in both July 2015 and July 2016. They concluded that Internal Audit was acting effectively and in accordance with the PSIAS. They noted that a number of improvements to current internal audit procedures had been identified and an action plan prepared. CGC decided that there were no issues of 'non-conformance' with the PSIAS that needed to be included in this statement.

The Internal Audit & Risk Manager (IARM) reports to the Head of Resources and has direct access to the Managing Director, the CGC and its Chairman.

One of the key assurance statements the Council receives is the annual report and opinion of the IARM. The opinion for the 12 month period ending March 2016 is shown below.

The Council's internal control environment and systems of internal control as at 31 March 2016 provide, with the exception of IT systems (where no work has been completed during 2015/16) adequate assurance over key business processes and adequate assurance over financial systems.

The assurance opinion is unchanged from 2014/15.

The annual report raised concerns over debt management processes (see page 14).

The Council's contract for specialist IT audit ended in January 2015 and was not immediately re-let. This was due to uncertainty over which 3C authority would become the employing lead for the 3C IT shared service and discussions about the possible introduction of a shared internal audit service being created across the 3Cs. The lack of IT audit cover is of concern, but mitigated in part by the Cabinet Office renewing the Council's Public Services Network compliance certificate in November 2015 for a further 12 month period. A specialist IT audit supplier was appointed in August 2016.

The IARM has stated in their annual report that they had no constraints placed upon them in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

The IARM is not aware of any significant changes having occurred across the Council's internal control environment between April 2016 and the approval of this Statement.

## External Audit

The Council does not appoint its own external auditors – that task is carried out by Public Sector Audit Appointments Limited (PSAA). New external auditors – Ernest & Young LLP - were appointed by PSAA to undertake the Council's 2015/16 and 2016/17 external audit.

The statutory financial statements for 2015/16 have been audited and an unqualified opinion has been issued.

The external auditor has also issued an unqualified opinion on the Council's arrangements for securing economy, efficiency and effectiveness (value for money) and in the use of its resources.

# Significant Governance Issues

The progress that has been made in dealing with the governance issues that were identified in the 2014/15 AGS are contained on page 8.

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

Key Improvement Area	Lead Officer	To be delivered by
The need to improve debt management.	Head of Resources	March 2017
The continued development of effective governance and reporting arrangements for shared services.	Corporate Director - Services	March 2017



Councillor Robin Howe  
Executive Leader



Joanne Lancaster  
Managing Director

Signed on behalf of Huntingdonshire District Council



