

PLEASE NOTE VENUE

AUDIT COMMITTEE AGENDA



Thursday, 3 April 2008

at 10.00 am

in Committee Room A, Civic Centre

MEMBERS: AUDIT COMMITTEE:

Councillors: Hall, G Lilley, Preece, Wallace and Wistow

1. **APOLOGIES FOR ABSENCE**
2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**
3. **MINUTES**
 - 3.1 To confirm the minutes of the meeting held on 3 January 2008
4. **ITEMS FOR DISCUSSION/DECISION**
 - 4.1 Audit Commission Report- National Fraud Initiative – *Chief Financial Officer*
 - 4.2 Audit Commission Report- Use Of Resources – *Chief Financial Officer*
 - 4.3 Internal Audit Plan 2007/08 Update – *Head of Audit and Governance*
5. **ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

3 January 2008

The meeting commenced at 10.00 a.m. in the Red Room, Avondale Centre,
Raby Road, Hartlepool.

Present:

Councillor A Preece (In the Chair)

Councillors G Hall and G Lilley,

Officers: Mike Ward, Chief Financial Officer
Noel Adamson, Head of Audit and Governance
Caroline Tyrrell, Audit Commission
Sarah Bird, Democratic Services Officer

12. Apologies for Absence

None.

13. Declarations of interest by members

None.

14. Confirmation of the minutes of the meeting held on 4 October 2007

Agreed.

15. Matters Arising

The Chair referred to item 11 in the previous minutes in which recommendations were made that the following be referred to the Constitution Committee as soon as possible:

- That the Audit Committee take over the role of reviewing and approving the Council Accounts
- That the membership of the Audit Committee be increased

These recommendations were unable to be ratified at the previous meeting as it had been inquorate. The Chair felt that the membership of the committee should be reviewed although concerns were raised about the

numbers needed for a quorum. It was established that the Audit Committees of neighbouring Local Authorities carry out the role of reviewing and approving Council accounts. It was agreed that the above recommendations would be referred to the Constitution Committee.

16. Internal Audit Plan 2008/09 (*Head of Audit and Governance*)

Purpose of report

To inform Members of the direction of Internal Audit activity and to seek approval of the annual operational Internal Audit Plan for 2008/09.

Issue(s) for consideration by the Committee

The Head of Audit and Governance outlined how under the Accounts and Audit Regulations 2006, the Council is responsible for maintaining an effective system of internal audit of its accounting records and control systems in accordance with proper internal audit practices. In Hartlepool this responsibility is delegated to the Chief Financial Officer. As such there is a protocol in place between Internal Audit and the Chief Financial Officer in order to agree the annual Internal Audit Plan. The Corporate Management Team is also consulted on the contents of the annual plan.

Given available audit resources, all aspects of the Council's systems and arrangements cannot be audited on an annual basis and therefore a five year Strategic Audit Plan has been prepared using a risk model with some issues and systems being audited on a one, two or three yearly basis taking into account a number of factors. 93 planned audits are to form the basis of the mainstream Internal Audit work for 2008/09 and the plan has been broken down into the main areas of work undertaken in order to provide an opinion on the control environment in operation at the Council. It includes fundamental systems such as salaries, debtors, creditors, risk management and others which are identified as single audits. These will include system and probity audits in each or some of the departments in support of the main system reviews. In addition to the planned audit work, advice and support will be provided on an ad hoc basis throughout the financial year, together with unplanned reactive work wherever necessary and appropriate. In addition for 2008/09, 120 days of audit work is to be provided to the Cleveland Fire Authority. An appendix had been circulated with details of the focus of the coverage with the number of days envisaged for each area of the work.

The cost of the Audit was queried and the Chief Financial Officer confirmed that staff in the department were fully utilised and to achieve a 3% efficiency saving there was increased use of laptops and new software. Certain areas including Direct Payments and Supporting People appeared to have increased significantly since last year and it was clarified that these were not annual assessments. The Fraud Awareness quota had increased from 0 – 25 and it was established that this occurred only every 5 years but it is becoming more critical as the Council needs to demonstrate that there is a

substantial anti-fraud strategy in place.

Decision

That the contents of the report be noted.

17. Internal Audit Plan 2007/08 Update *(Head of Audit and Governance)*

Purpose of Report

To inform members of the progress made to date completing the internal audit plan for 2007/08.

Issue(s) for consideration by the Committee

The Head of Audit and Governance updated the Committee on the progress made against the audit plan. Appendix A to the report detailed pieces of work which have been completed and Appendix B detailed the audits that were ongoing at the time of compiling the report.

As well as completing the listed audits in Appendix A, Internal Audit staff had been involved with the following working groups:

- ISO 17799 Group.
- Procurement Working Group.
- Corporate Risk Management Group
- Use of Resources Assessment

In order to comply with the requirement that 40% of all secondary schools meet the relevant criteria as outlined in the Financial Management Standard in Schools (FMSiS) award by March 2008, Internal Audit have undertaken more comprehensive audit coverage in order to provide support and advice to the schools so that they can be assessed successfully. The Chief Financial Officer agreed that it would be a good idea to put the planned and actual days taken on the plan to include the cost of any over-run. Discussion took place over the benefits and disadvantages of using internal rather than external auditors for an internal audit and it was pointed out that the audit was not merely financial, but also took into consideration compliance with governance issues. The Council's need to comply with the Disability Discrimination Act was discussed and the fact that some buildings did not meet minimum standards. It was thought that when private companies applied for planning permission, compliance with the Act should be highlighted.

Decision

That the contents of the report be noted.

18. Audit Commission Report – Data Quality *(Chief Financial Officer)*

Purpose of Report

To inform Members of the Audit Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting, to present the results of the Audit Commission's work on Data Quality.

Issue(s) for consideration by the Committee

The Audit Commission had developed a three stage approach to the review of data quality:-

Management Arrangements – This concluded that the Council's overall management arrangements for ensuring data quality demonstrated adequate performance. The Council has implemented the action agreed after the previous review, approving a data quality policy and allocating member responsibility for data quality. Arrangements could be further improved by ensuring the policy and detailed guidance cover all data, not only for performance indicators (PIs).

Analytical Review – This had identified that the PI values reviewed fell within expected ranges and were substantiated by evidence.

Data Quality Spot Checks – The review and spot checks found that BV199 (cleanliness of public spaces), BV214 (homelessness prevention) and PLSS7 (library satisfaction users 16 and over) were fairly stated. HIPHSSA (private sector homes vacant over 6 months) had been unfairly stated but this was due to an incorrect calculation as there had been a misunderstanding between departments as to what the data showed and the Audit Commission was satisfied that the recommendations had been taken on board.

Discussion ensued regarding the data and whether the audit would elicit whether departments worked together in order to solve individual case difficulties. It was hoped that the complaints system would highlight any problems and the establishment of the Contact Centre should also help.

Discussion ensued regarding staff training and it was thought that training needs should be looked at more widely and there should be better ways of recording training and take up of the training courses offered, as this could help with staff retention.

Decision

That the contents of the report be noted.

19. Annual Governance Statement – Head of Audit and Governance

Purpose of Report

To inform Members of the proposed process to complete the Annual Governance Statement (AGS) for 2007/08.

Issue(s) for consideration by the Committee

Regulation 4 of the Accounts and Audit Regulations (2003) required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control and publish a Statement on Internal Control with the Authority's financial statements.

The purpose of the Statement on Internal Control was to provide and demonstrate that there was a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give assurance on its effectiveness and/or to produce a management action plan to address identified weaknesses in either process. This was compiled in accordance with 'proper practice' a framework which was subsequently published in April 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA). Since then further guidance has been published which clears the way for the annual Governance Statement (the part of the new CIPFA/Society of Local Authority Chief Executives (SOLACE) governance framework that subsumed the Statement on Internal Control) to be assigned 'proper practice' status and therefore have statutory backing.

The assurance gathering process is now well-established at the Council and provides a structured link between strategic objectives and statutory requirements of the authority, and how these objectives are delivered. It identifies key controls deemed critical to the delivery of objectives and provides a formal review and risk assessment for the management and delivery of these key controls.

It is proposed to continue the process of mapping service objectives to risks and identifying controls in operation. This has linked together as one exercise, business planning, risk and control identification, thus minimising the administrative burden placed on departments. The continuation of this approach will enable the Council to evidence the following parts of the Use of Resources assessment for 2008 carried out by the Audit Commission.

Key line of enquiry 4.2 – The council has arrangements in place to maintain a sound system of internal control.

- Level 2 – The council has conducted an annual review of the effectiveness of its governance framework, including the system of internal control and reported on this in the governance statement.
- Level 3 – The council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances.

- Level 4 – The assurance framework is fully embedded in the council's business processes. The council can demonstrate corporate involvement in/ownership of the process for preparing the governance statement.

Decisions

That the process for compiling the Statement on Internal Control is continued in order to produce an Annual Governance Statement.

That the Annual Governance Statement is reported to the Audit Committee for approval prior to it being published with the authority's accounts.

A PREECE

CHAIRMAN

AUDIT COMMITTEE

3 April 2008



Report of: Chief Financial Officer

Subject: AUDIT COMMISSION REPORT- NATIONAL FRAUD INITIATIVE.

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting, to present the results of the Audit Commissions work on the Council's approach to the National Fraud Initiative (NFI).

2. BACKGROUND

- 2.1 The NFI is the Audit Commission's data matching exercise that runs every two years and is designed to help participating bodies identify possible cases of fraud and detect and correct any consequential under or overpayments from the public purse. The core of NFI is the matching of data to help reduce the level of housing benefit fraud, occupational pension fraud and tenancy fraud. Housing benefit fraud and error continues to be a major problem for many local authorities. NFI exercises have helped to detect matters such as claimants' undeclared income and those who claim simultaneously from different authorities.
- 2.2 For the 2006/07 exercise the Council provided creditors' payment history and standing data along with payroll data. Housing benefit and students eligible for a loan data was collected, on our behalf, from the Department for Work and Pensions (DWP) and Student Loan Company (SLC). The Audit Commission provided the NFI 2006/07 results on 29 January 2007 via a web based application with access to the matches controlled by passwords. These matches were investigated by Internal Audit and Housing Benefit staff.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Attached, as Appendix 1, is the Audit Commission report on NFI. It is not in the Audit Commissions normal report style, but that of an action plan. The action plan states that from the Audit Commissions initial review:
- “Council officers have been pro-active in their approach to NFI and have consequently obtained good results with three frauds reported to-date. Currently, total savings from the exercise (frauds and errors) are £50,840 with some £23,150 in the process of recovery”.
- 3.2 The Audit Commissions subsequent comments since the initial review are:
- “Since the review was undertaken, the cases under investigation have been progressed and savings resulting from the exercise have increased to £52,081. In addition, all of the recommendations made in the Action Plan have been addressed and implemented in a prompt and timely manner within the timescale suggested. The above confirms the satisfactory coverage of the current NFI exercise”.

4. RECOMMENDATIONS

- 4.1 That the Audit Committee:
- i. note the report of the Audit Commission

NFI Progress Review: Hartlepool Borough Council

Overall conclusion

There has been satisfactory coverage of the NFI exercise and suitable progress has been made in most areas although this has not always been reflected in the web-based FI application.

Any matches that were reported in previous years will not automatically be reported again. Most matches in the principal areas of NFI will probably have been examined in the earlier exercises but it was agreed that filters will be used to briefly examine them again in order to avoid the small possibility of an on-going error or fraud.

Council officers have been pro-active in their approach to NFI and have consequently obtained good results with three frauds reported to-date. Currently, total savings from the exercise (frauds and errors) are £50,840 with some £23,150 in the process of recovery. A number of cases are still being examined and further savings may accrue in due course.

Progress since review

Since the review was undertaken, the cases under investigation have been progressed and savings resulting from the exercise have increased to £52,081. In addition, all of the recommendations made in the Action Plan have been addressed and implemented in a prompt and timely manner within the timescale suggested. The above confirms the satisfactory coverage of the current NFI exercise.

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
Web based NFI system.	It was thought that the new web-based NFI system was a	No action required.			

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
	significant improvement on the previous application. It has resulted in streamlining procedures within the authority with the elimination of the need to produce hard copies of the reports. It was also felt that the training received for the system was beneficial.				
Prior year matches	Where the NFI system has reported matches in previous years, they are not shown again unless the 'Prior year matches' indicator is specifically switched on. Thus it is possible that matches that could result in frauds or errors may be on-going if they had not been examined at the time that they were first reported. Whilst there is no indication that this has occurred at Hartlepool, it may be	Undertake a brief review of prior years' matches by setting on the indicator and filtering the output to ascertain whether any earlier matches are worth considering.	Noel Adamson	End of December 2007.	Action completed. No further investigation required.

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
	<p>worthwhile carrying out a brief check to ensure that no such cases are on-going.</p> <p>Note, however, that where matches in prior years have already been considered (when originally reported) there is no need to reconsider them.</p>				
Payroll	<p>Satisfactory coverage of the payroll matches has been done with all matches in all 'non-information' reports addressed. Good use has been made of the filtering facilities in the system to prioritise the work although limited use has been made of the Comments facility in the system. This however is a minor issue compared to the effective work done.</p>	<p>Use the system Comments facility for those cases where investigations are undertaken.</p>	Sharon Bramley	NFI 2008/09	Action agreed.

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
	One error was identified from the Payroll element of NFI resulting in savings of £11,694.				
Creditors	There were seven reports relating to Creditors with some 2,355 matches. A new financial management system has been recently implemented and there was a data transition issue. NFI helped to confirm potential problems of which officers were generally aware. The strategy for considering the Creditors element of NFI was to look at a small sample of high value items from some reports to confirm that there were no major frauds or errors. This, however, has not been recorded in the NFI application. There is a need to do so.	Update the NFI web-site to reflect the work done to-date.	Sharon Bramley	End of December	Action completed. Website updated.

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
	<p>It was noted that there were no matches reported in key Report 707 (potential duplicate payments based on matching creditor's refs, invoice nos & amounts). This is because the Council's system precludes the duplication of invoice numbers.</p> <p>Report 709 identified potential VAT errors. This report has not been addressed. There were 10 matches reported with only in excess of £100 (the remainder were less than £10). The high value matches should be considered.</p> <p>Similarly, Report 711 (invoices valued at under £1) has not been addressed. It should be considered (from a Value for Money view – i.e. is it cost-effective for the Council to make payments of under £1)?</p>	<p>Examine the two highest value matches in Rep 709.</p> <p>Consider Report 711 from a value for money view.</p>	<p>Sharon Bramley</p> <p>Sharon Bramley</p>	<p>End of December</p> <p>End of December</p>	<p>Action completed. Website updated.</p> <p>Action completed. Website updated with matches investigated.</p>

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
Housing Benefit	Some 17 reports related to Housing Benefits in the current NFI exercise with 542 matches reported. According to the web-site, 41 matches have been processed and cleared with 12 cases still in progress. This does not reflect the true situation at Hartlepool where all matches were given a cursory examination prior to commencing the detailed work. The Council is proactive and takes the lead in dealing with cases that require further investigation and leaves other relevant matches for the DWP to consider. The time taken to carry out this assessment is minimal (10 hours). Frauds have been identified and reported as a result. There is a need to update the web-site to reflect the true situation. As all	Update the NFI web-site to reflect the true situation with Housing Benefit matches.	Andrew Bain	End of December	Action completed.

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
	<p>records have been examined, to record details in each individual record could be a time-consuming task. A quicker way to do it for the current NFI exercise would be to enter a comment in the first record of each report, drawing attention to the Report Edit facility (in the left hand blue area of the screen for each report) where a brief summary of the cursory examination could be entered. Where a detailed examination of individual cases have been undertaken, however, brief details should be recorded against individual records. This is particularly important for any records where there are frauds or errors.</p> <p>To-date three housing benefit frauds have reported in the NFI system with savings of £39,145. This is a good result</p>	Ensure that all frauds and savings are recorded in the	Andrew Bain	End of	Action completed. Website updated on

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
	which reflects the officers' conscientious approach to the exercise. Officers indicated that further frauds are coming to light. There is a need to record these in the NFI system.	NFI system.		December	a case by case basis.
	Concern was expressed by officers about two specific matches that seemed to have been dropped from the system some time ago (in March/April). This happened in two separate reports and each time it was the last record that had disappeared. One had been cleared as "No further action" but the other was of	External NFI auditor should enquire into the reason for the last records being deleted from the system.	Alan Candlish	End of December	NFI management informed of incident. To be investigated further.

National Fraud Initiative

Action Plan

Area	General comments and approach	Action / Recommendation	Responsibility	Timeframe / deadline	Action taken / Follow-up
	potential interest - Match Id 124 from Rep 14.1. It was present when the report was first examined but had gone within 2 or 3 weeks. The external NFI auditor agreed to enquire about possible reasons for its elimination.				

AUDIT COMMITTEE

3 April 2008



Report of: Chief Financial Officer

Subject: AUDIT COMMISSION REPORT- USE OF RESOURCES.

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting, to present the results of the Audit Commissions work on Use of Resources.

2. BACKGROUND

- 2.1 The Audit Commission carry out the Use of Resources assessment to evaluate how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 2.2 The evaluation assesses five themes and scores each one either:
- 1 - Below minimum requirements – inadequate performance,
 - 2 - Only at minimum requirements – adequate performance,
 - 3 - Consistently above minimum requirements – performing well,
 - 4 - Well above minimum requirements – performing strongly.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Attached, as Appendix 1, is the Audit Commission report on Use of Resources. The five scheme scores, as detailed in Table 2 in the Audit Commission report, show that the Council has maintained its scores in all of the five schemes. This is despite the 2007 evaluation being more testing than in 2006.

- 3.2 Table 3 within in the Audit Commission report highlights improvement opportunities which have been taken into account when developing service plans for 2008/09.

4. RECOMMENDATIONS

- 4.1 That the Audit Committee:
- i. note the report of the Audit Commission

Use of Resources 2007

Hartlepool Borough Council

Audit 2007/08

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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Introduction

- 1 The use of resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at Hartlepool Borough Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its inspection and performance assessment frameworks.

Table 1 Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
- 5 The five theme scores for Hartlepool Borough Council are outlined overleaf. The Commission will notify you of your Council's overall score for use of resources and supporting theme scores. This is scheduled for 10 December 2007.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2007	Score 2006
Financial reporting	3	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	2	2
Financial management	2	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	2
Financial standing	3	3
3.1 The Council manages its spending within the available resources.	3	3
Internal control	3	3
4.1 The Council manages its significant business risks.	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3
Value for money	3	3
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	3

Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Table 3

Theme score		3
Key findings and conclusions		
<p>The Council produced its accounts to the statutory timetable and met the revised accounting requirements for the year. The accounts were supported by comprehensive working papers and an unqualified audit opinion was issued. The accounts were subject to member scrutiny.</p> <p>Statements, annual audit and inspection letters, and minutes of Council meetings are easily accessible on the Council's website. The Council does not produce an annual report or similar document. Summary financial information was included in Hartbeat, although the views of stakeholders have not been sought.</p>		
Improvement opportunities		
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>		<p>Reduce the number of errors in the statements. In particular, ensure that the cash flow statement is correct and complies with the Statement of Recommended Practice.</p> <p>Further improve the working papers supporting the accounts. For example:</p> <ul style="list-style-type: none"> • provide a detailed breakdown of account codes supporting each balance in the accounts and linked via the statements; • complete the checklists in advance as part of closure and cross-referenced to the statement of accounts; and • provide more detailed information to support all entries in the accounts.

Theme score	3
KLOE 1.2 The Council promotes external accountability.	The Council has included some consultation in a recent Viewpoint survey, on the need to produce an annual report or similar document. Further consultation could extend to other stakeholders, such as the business community.

Financial management

Table 4

Theme score 2	
Key findings and conclusions	
<p>The Council only meets minimum standards and has some way to go before it is performing well.</p> <p>The Council's medium term financial strategy needs to be developed so that it clearly demonstrates how objectives and priorities will be funded over the three year period. Performance is managed effectively against budgets, although this needs to be extended to include all partnerships. The introduction of a new financial ledger in April 2006 meant that financial reports and information available to managers was limited in 2006/07.</p> <p>The Council has a Capital Strategy/Asset Management Plan which links clearly to the Community Strategy themes and the Corporate Plan.</p>	
Improvement opportunities	
KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.	We are carrying out more detailed work to support the Council, and will report separately later in the year.
KLOE 2.2 The Council manages performance against budgets.	<p>Ensure that the financial performance of partnerships is monitored and managed.</p> <p>Ensure that managers have access to financial information in a format appropriate to their needs.</p> <p>Produce guidance and a training programme for budget holders and managers.</p>
KLOE 2.3 The Council manages its asset base.	<p>Ensure that all capital projects are subject to the Council's appraisal process, and that appropriate evidence is retained.</p> <p>Use benchmarking/comparative data to evaluate the use of assets.</p>

Financial standing

Table 5

Theme score 3	
Key findings and conclusions	
The Council set a balanced budget and managed its spending within available resources. Reserves have been reviewed and balances are planned to support future spending.	
Improvement opportunities	
KLOE 3.1 The Council manages its spending within the available resources.	<p>Ensure that evidence is available to demonstrate that recovery action, including the costs of recovery, is effectively monitored and action taken when issues are highlighted.</p> <p>Members should monitor key financial health indicators and set challenging targets, eg income collection, levels of variances from budget, capital programme management.</p> <p>Members should monitor the level of reserves against budget.</p>

Internal control

Table 6

Theme score 3	
Key findings and conclusions	
<p>The Council is continuing to embed arrangements to manage risk, and internal control arrangements are in place. Arrangements do not yet extend to all partnerships. Arrangements to promote and ensure probity and propriety in the conduct of its business are in place. The Council intends to replace its code of conduct for staff with the national code, when it becomes available. Further monitoring of registers of interests and gifts and hospitality would ensure they were kept fully up to date. The Council could be more proactive in promoting ethical standards.</p>	
Improvement opportunities	
KLOE 4.1 The Council manages its significant business risks.	<p>Identify all significant partnerships and ensure risk management processes specifically cover those partnerships.</p> <p>Ensure that training needs of staff and members with risk management responsibilities are identified and addressed. Evidence of such training should be retained.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>Ensure that adequate governance arrangements are in place for all significant partnerships.</p> <p>Review the role, responsibilities and operation of the Audit Committee to ensure it meets CIPFA guidance.</p> <p>Ensure up to date procedure notes are in place for all financial systems, and in particular for budgetary control.</p>
KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	<p>Evidence management's monitoring of compliance with standing orders, standing financial Instructions and the scheme of delegation.</p>

Theme score	3
	<p>Remind staff and members of the need to promptly record interests and any offers/acceptance of gifts or hospitality.</p> <p>Consider ethical standards training for members/staff and monitor compliance with codes of conduct.</p> <p>Raise staff awareness of staff/member responsibilities to prevent/detect fraud and corruption eg by reminding them of the whistleblowing policy and publicising action taken in identified fraud cases.</p>

Value for money

Table 7

Theme score 3	
Key findings and conclusions	
<p>The Council is providing value for money services when compared with similar councils and generates high rates of public satisfaction for many areas of its work. Although its overall cost and cost of many services per head of population are still high cost per user is competitive compared to similar authorities in a number of service areas.</p> <p>There is clear information on costs and how these compare to others which is used to establish the quality of services achieved. Trends in costs and performance are compared with other councils on a regular basis at service, directorate and corporate levels including with members. This information is used to review and challenge value for money throughout services and corporately.</p>	
Improvement opportunities	
KLOE 5.1 The Council currently achieves good value for money.	Improve planning of capital projects as predicting when projects will start is not effective in a number of areas.
KLOE 5.2 The Council manages and improves value for money.	Extend good procurement practice to whole services such as parks and cleansing which are both above average cost compared with nearest neighbours and waste collection which is low cost.

Conclusion

- 8 The Council's performance demonstrates overall that arrangements are robust and continue to improve. The key issues to address, to maintain strong performance, are developing financial management and proactively monitoring partnerships, ensuring that strong financial management and governance arrangements are in place.

Use of resources 2008

- 9 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 10 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 11 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.

Appendix 1 – Changes to UoR key lines enquiry 2008

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
Financial reporting		
1.1	2	An unqualified opinion in the published statements.
1.2	2 , 3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	The annual report or similar document includes information and analysis about a council's environmental footprint.
Financial management		
2.1	2	The impact of strategies is assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities. The council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning
2.3	4	Asset management is used as an enabler of change. The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The council rationalises its holding of property.

Financial standing		
3.1	3	The approved level of balances is adhered to; the council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
Internal control		
4.1	4	Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	Effective scrutiny function to ensure challenge and improve performance.
4.2		'Statement of internal control' has been replaced with 'governance statement'.
4.2	4	Evidence of the viability of significant contractors' / partners' business continuity plans.
4.3	2	Preparation for the role of the standards committee in local investigations and determination.
4.3	3	Publicising the work of the standards committee.
4.3	3, 4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.
Value for money		
5.1	2,3,4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, ie. projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level 4 – transform services for users and citizens).
5.2	2,3,4	Understanding unit and transaction, as well as, overall costs.

Value for money		
5.2	2, 3, 4	Data quality arrangements should be reliable (level 2) or exemplary (level 4), and including at level 4, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor.
5.2	2, 3, 4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2, 3, 4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2, 3, 4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.

AUDIT COMMITTEE

3 April 2008



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2007/08 UPDATE

1. PURPOSE OF REPORT

To inform Members of the progress made to date completing the internal audit plan for 2007/08.

2. SUMMARY OF CONTENTS

At the Audit Committee meeting of 25.10.05 it was agreed that the Head of Audit and Governance would update the Committee on a quarterly basis as to the progress made against the audit plan. This allows members of the Committee to form an opinion as to the robustness of the system of controls in place at the Council and thus fulfil part of the Committee's remit.

3. RELEVANCE TO PORTFOLIO MEMBER

N/A

4. TYPE OF DECISION

Non-key decision.

5. DECISION MAKING ROUTE

Audit Committee tasked with considering adequacy of audit coverage.

6. DECISION(S) REQUIRED

Members note the contents of this Report.

Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2007/08 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2007/08.

2. BACKGROUND

- 2.1 In order to ensure that the Audit Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan. Regular updates allow the members of the Committee to form an opinion on the controls in operation within the Council. This in turn allows members of the committee to fully review the Annual Governance Statement, which will be presented to a future meeting of the Committee, and after review, will form part of the statement of accounts of the Council.

3. AUDITS COMPLETED AND IN PROGRESS

- 3.1 Appendix A of the report details the pieces of work that have been completed.
- 3.2 As well as completing the afore mentioned audits, Internal Audit staff have been involved with the following working groups:
- ISO 17799 Group.
 - Procurement Working Group.
 - Corporate Risk Management Group.
 - Use of Resources assessment.

In order to comply with the requirement that 40% of all primary schools meet the relevant criteria as outlined in the Financial Management Standard in Schools (FMSiS) award by March 2008, Internal Audit have undertaken more comprehensive audit coverage in order to provide support and advice to the schools in order that they can be assessed successfully.

- 3.3 Appendix B details the audits that were ongoing at the time of compiling the report.

4 AUDIT PLAN PROGRESS

- 4.1 The work completed and currently ongoing is in line with expectations at this time of year, and audit coverage to date has allowed the Audit Commission to place reliance on the scope and quality of work completed when meeting their requirements under the Audit Code of Practice.

5 RECOMMENDATION

- 5.1 It is recommended that Members note the contents of the report.

Appendix A

Audit	Objectives	Recommendations	Agreed
School Catering Recharges	To ensure Contract Procedure Rules and Financial Procedure Rules are adhered to in arranging contracts, processing creditor payments and payroll documents and the collection of income. The Department efficiently and effectively controls the systems in place for the provision of the School Meals Service. Stocks and income are securely held and accounted for.	<ul style="list-style-type: none"> - Authorised signatories list be completed for all cooks & staff who would cover in the event of the cook being absent. - Two members of staff collect and count the income and sign to agree the total. A person independent of collecting the income to complete the banking. - Income collected should be entered onto the machine immediately. Any under/over bankings over a pre-determined amount should be required to be reported to an appropriate officer stating reasons why differences occurred. 	Y Y Y
Licensing	Ensure policies & procedures comply with relevant legislation/guidance. Income received is correctly recorded and paid into the Authority's bank account in a timely manner.	<ul style="list-style-type: none"> - All applications to be date stamped to ensure statutory dates are met. - CRB clearances to be kept whilst processing the application and destroyed when licence is granted. - Arrangements should be established to measure the performance to ensure the efficiency and effectiveness of services provided. The section should consider undertaking a benchmarking exercise to identify where improvements could be made. 	Y Y Y
Stores	Ensure that systems in place for storing, issuing, ordering and managing stock items are effectively and efficiently controlled.	<ul style="list-style-type: none"> - Goods Received Notes to be processed onto the system the day goods are physically received. - That job sheets are authorised by an authorised signatory. - Staff collecting goods from stores signs the issue sheet for receipt of goods. - Job sheets ruled off after the last entry on the job sheet. - Disposal and obsolete stock be removed from the stores. - A stock check to be carried out regularly and stock levels investigated as soon as possible. 	Y Y Y Y Y
Tourism	To ensure that Health & Safety legislation is complied with at all times, the Tourism Strategy for Hartlepool is fully implemented to allow Hartlepool to realise its potential, all buildings are made accessible for people with disabilities as per legislation, only suitably trained, qualified and vetted staff are permitted to work at attractions/events/exhibitions, the full potential of tourism income is realised to the Authority, over booking or facility withdrawal is minimised, the	<ul style="list-style-type: none"> - All staff, regardless of employer, undergoes a CRB check to ensure the safety of visitors. - Petty Cash should not be used for the payment of meals. Staff should be reminded of the correct procedure for claiming expenses. - Periodic checks and reconciliations of the Petty Cash should be performed to ensure correct usage. - Calculation cells on the Excel booking form are locked to prevent amendments. 	Y Y Y Y

	Authority's Financial & Contract Procedure Rules and Procurement Strategy are complied with for all purchases of goods/services.		
Insurances	Ensure a comprehensive risk management approach has been adopted by the Council to ensure adequate provision has been provided to cover any unexpected loss or expenditure. Statutory requirements have been met where applicable. Information held is complete, accurate and reliable. Resources are used in the most effective and efficient manner. All income, expenditure and reserve accounts can be fully accounted for	No recommendations made.	
Children Centres	To evaluate the effectiveness of controls operating at the Children's Centres to provide assurance that risk is being managed at an acceptable level in the main areas of financial and administrative activity including the achievement of the CYPP aims and objectives; safety and wellbeing of children and families; financial management and budgetary control; IT and data security; income; purchasing and contracts; SLAs and security of assets.	<ul style="list-style-type: none"> - Integration Support Managers to be provided with monthly budget monitoring reports as soon as possible to assist in purchasing decisions and to avoid overspends. - Investigate the possibility of the Integration Support Managers as budget holders holding responsibility for authorisation of Purchase Orders on Integra FMS. - For future years it would be beneficial for the Centres to allocate costs to the planned aims, objectives and actions in the local plans/SEF where possible showing a link to the budget to ensure that the plans are achievable and sustainable. - Discuss with the Bush Babies system provider the possibility of establishing individual log in details and passwords. - Hindpool Centre to ensure that the petty cash float is fully reimbursed to the £200 balance at the next opportunity. - Integration Support Manager, or other authorised signatory in manager's absence, should sign all Requisition forms. - Continue to review SLAs to ensure they meet the needs of the Children's Centres; SLAs should continue to be monitored quarterly. - An inventory check against physical items should be carried out at least annually by a member of staff independent of the day to day maintenance of the inventory. The check should be signed and dated, and documentation maintained for audit purposes. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

Access to Learning	Ensure financial and governance arrangements are in line with best practice.	- To ensure the security of staff personnel files.	Y
		- Clearly record the amount collected for school meals against each pupil's name on a daily basis. Cash in hand should reconcile to meals documentation completed since the previous banking.	Y
		- Arrangements should be made to bank the café income that remains on site. Contact your Finance Officer for further detail about appropriate income codes etc.	Y
		- Payment of invoices should be within credit terms specified on the invoice.	Y
		- An inventory should be drawn up. The inventory should record all items over £500 in value and any items considered desirable or portable.	Y
		- An annual physical inventory check should be undertaken by at least one member of staff independent from the day to day maintenance of the inventory. Evidence of the annual checks should be maintained for audit purposes.	Y
		- Record and authorise all items loaned to staff and assets disposed of.	Y
		- LA Whistleblowing procedures to be adopted by the school and communicated to staff.	Y
		- A copy of the current SLA to be located and forwarded to Internal Audit if possible.	Y
		- Following any re-designation of the service in 2008, the SLA should be revised as necessary and continue to be regularly reviewed.	Y
St Aidans Primary	Ensure school financial and governance arrangements are in line with best practice.	- Additional written procedure notes should be drawn up and made available to relevant staff.	Y
		- 3 year budget forecasting to be implemented. School Development Plan to show the link between the SIP and 3 year budget.	Y
		- For accounting purposes income and expenditure relating to a transaction should show against the same account.	Y
		- Contract Information module in SIMS to be updated to ensure that the annual salary amounts recorded are correct.	Y
		- Stock checks should be carried out by two members of staff and documented.	Y
		- A Statement on Internal Control (SIC) should be prepared and approved by the Headteacher, Chair of the Governing Body and Chair of the General Purposes Committee.	Y
		- The Whistle Blowing Policy should be formally communicated to staff and Governors.	Y

		<ul style="list-style-type: none"> - Carry out a self evaluation of Governor competencies in line with FMSiS guidance. - A self evaluation of staff financial management competencies should be carried out by the Headteacher and School Clerk. - For staff with financial management responsibilities ensure that their performance management targets include relevant financial management targets. - Relevant staff are given the opportunity to attend financial management training courses particularly to address any gaps in their competences. - The school should carry out a benchmarking exercise using the DFES Teachernet benchmarking website to evaluate performance against similar schools. - Schools own Financial Procedures should be approved by the Full Governing Body. 	Y Y Y Y Y
Catcote School	Ensure school financial and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - Medium term budgets to be developed for 3 future years showing the effect of higher / lower levels of funding, predicted pupil numbers etc. The school can evidence this by use of the HCSS package. The information on this should be reflected in the School Development Plan. - The school consider registering private funds with the Charities Commission on the basis of maximising potential income. The bank mandate is updated when any changes occur. - Financial statements to be presented to governors. - Arrears to be referred to the LEA to enable debtors procedures to be implemented. - Headteacher's signature to be evidenced on Neighbourhood Services transfer invoice documentation as evidence of authorisation of the payment. Documentation received by email to be retained. - A scoring system to be implemented and kept with job descriptions and person specifications. - Contract Information module in SIMS to be updated to ensure that the annual salary amounts recorded are correct. - Orders should be committed to SIMS as soon as possible and every effort made to commit expenditure before invoices received. - That the Best Value Statement be 	Y Y Y Y Y Y Y

		<p>signed and approved by governors.</p> <ul style="list-style-type: none"> - Inventories to be adjusted to include acquisition and disposal dates and stockchecks be carried out and evidenced. - Terms of Reference for Committees to be agreed by the Governing Body. - Governor Interest Forms should be obtained for all Governors in office. - A Statement on Internal Control (SIC) should be prepared and approved by the Headteacher, Chair of the Governing Body and Chair of the General Purposes Committee. - The Whistle Blowing Policy should be formally communicated to staff and approved by Governors. - Carry out a self evaluation of Governor competencies in line with FMSiS guidance. - A written statement be completed of roles and responsibilities of staff and governors with a financial responsibility. - A self evaluation of staff financial management competencies should be carried out by the Headteacher and School Secretary; - Staff structure should be reviewed in order to comply with the Education (Review of Staffing Structure) (England) Regulations and approved by governors; - For staff with financial management responsibilities ensure that their performance management targets include relevant financial management targets; - Relevant staff are given the opportunity to attend financial management training courses particularly to address any gaps in their competences. - Benchmarking findings should be made known to the Governing Body; where appropriate, an action plan should be put in place with progress against it monitored. - The school should develop their own financial procedures. The procedures should be approved by the governing body. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Salaries	Salaries and related costs are incurred only in respect of staff currently employed in authorised posts, salaries are correctly calculated and properly authorised, salaries have been correctly coded, salaries are properly and accurately recorded and details held securely, salaries are paid only	<ul style="list-style-type: none"> - A procedure for staff to follow when they wish to amend their personnel details is drawn up. This should include authorisation instructions and template forms. The process should be made available to all staff members via the Council's Intranet site. - The filing cabinets containing all payroll details, specifically bank details, are locked on an evening and weekend to 	<p>Y</p> <p>Y</p>

	to those entitled, all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained.	prevent unauthorised access.	
Wages	Wages and related costs are incurred only in respect of staff currently employed in authorised posts, wages are correctly calculated and properly authorised, wages are properly and accurately recorded and details held securely, wages are paid only to those entitled, all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained.	- A procedure for staff to follow when they wish to amend their personnel details is drawn up. This should include authorisation instructions and template forms. The process should be made available to all staff members via the Council's Intranet site.	Y
		- The filing cabinets containing all payroll details, specifically bank details, are locked on an evening and weekend to prevent unauthorised access.	Y
		- A leaver form should be completed for every employee who ceases work with the council.	Y
Council Tax	All taxable properties are identified, assessed and recorded and these records are accurately maintained; All persons liable for council tax and all discounts, exemptions, benefits and other allowances have been identified and correctly recorded; Amounts due in respect of each taxable property have been correctly calculated and promptly demanded from the person liable; Secure and efficient arrangements exist for all collections, which are promptly posted to the correct taxpayers' accounts. All refunds are authorised and valid; All arrears are promptly identified and effectively pursued, and all write offs are valid and authorised; The billing authority complies with all statutory and other requirements for tax setting and the keeping of accounts.	- Composite properties are to be fully recorded in the system to allow a reconciliation to be done to the NNDR list.	Y
		- To make the best use of limited resources the independent checks on the validity and accuracy of discounts / exemptions could focus on one type of exemptions/discount at a time.	Y
		- That suppressed recovery action is subject to a supervisor review on a regular basis.	Y
		- That write offs are reconciled to committee reports.	Y
		- That receipt books are obtained from the Payments Unit.	Y
		- That managers confirm access held by staff on an annual basis.	Y
Cash/Bank	Examine and evaluate the systems and procedures in place to administer the Central Cash Receipting system to ensure that the Council provides a secure, convenient environment for the collection of income due; that financial procedural rules are adhered to; income is promptly banked and correctly accounted for; systems in place operate effectively and efficiently; and collection points are secure and cash receipting systems are secure.	- Old suspense account items should be rectified.	Y
		- A disaster recovery plan is to be put in place for the Cash Receipting function.	Y

Car Parking	Ensure that the collection of funds from machines is carried out by at least two security staff and actual cash is reconciled to receipted funds. Ensure that actual cash is reconciled to receipted cash for each machine and investigation has occurred for any large differences. Ensure all funds received are being adequately posted to the Authority's bank and ledger accounts.	<ul style="list-style-type: none"> - A formal contract with the Security company is adopted following a tendering exercise. - Cash Counting sheets are received from the collection company on a timely basis. - Reviews of actual collections are performed on a regular basis to ensure actual billed work is being undertaken. - The number of collections is reduced for 2 of the machines. - Those responsible for the counting of income should not have access to the Audit Tickets. - Banking of income should be performed on a regular basis. - Reconciliations between expected and banked income and the General Ledger should be performed. - Training on Integra should be provided where necessary to ensure adequate reconciliations. 	Y
			Y
			Y
			Y
			Y
			Y
			Y
Playing Fields and Lettings	The service is provided in accordance with Council Procedures Rules, with the responsibilities of both parties clearly defined. Charges are raised in accordance with Council Framework, are based upon estimates of costs or other relevant basis and are regularly reviewed. Charges are notified to clients. All income due is received and recorded correctly. Secure arrangements are in place for the collection, storage and banking of income. Adequate procedures are in place to recover debts outstanding. Write offs are appropriately authorised.	<ul style="list-style-type: none"> - Procedure notes are drawn up for the processing of application forms and raising invoices. - A copy of applicants insurance to be sent with application. - Details of any changes to charges to be agreed by members and documented. - Documentary evidence retained for calculations which support the costs or pricing schedules from other authorities. - Prices of hiring pitches are advertised in a timely manner. - Invoice request forms are dated and invoices raised with immediate effect. 	Y
			Y
			Y
			Y
			Y
S17 Payments	Ensure that payments made complied in principle with the provision of the Act and payments are properly authorised and recorded.	- All applications to be marked as loan or grant.	Y
Asset Register	Ensure the accuracy, validity and completeness of the asset register and accounting records.	<ul style="list-style-type: none"> - Reconciliation of property database with title deeds / land registry details should be completed as soon as possible. - Reconciliation between instructions to legal and land transaction sheets should be undertaken within the Estates Department. - Land transaction sheets / completion notices should be retained in a secure manner. - Additions, disposals etc recorded in the FAR should be reconciled to source records quarterly, not annually. 	Y
			Y
			Y
			Y

Loans and Investments	Ensure that the council has adopted a CIPFA compliant policy for borrowing and investing. Adequate systems and procedures are in place for the forecasting of daily cash flow. Temporary loans and investments are subject to monitoring and authorisation. Repayments are made in a timely manner. Interest receivable is tracked and received by the due dates. Appointment and payment to brokers is in line with guidelines.	<ul style="list-style-type: none"> - All deal tickets to be initialled as checked. - All deal tickets to be initialled as checked. 	<p>Y</p> <p>Y</p>
VAT	Adequate written procedures exist for the administration of VAT. All input/output VAT is identified. Control accounts are operated to ensure the completeness and accuracy of records. VAT returns are prepared and submitted promptly, are reconciled to the VAT control on a regular basis and signed by an appropriate officer. Errors regarding the collection of income amounting to £2,000 or more are notified to HM Revenue & Customs in writing. Any penalties or interest charged by HM Revenues & Customs are correct. Annual reconciliations are undertaken between Control Accounts and the ledger to ensure that VAT is correctly recorded in the final accounts.	<ul style="list-style-type: none"> - Procedure notes to be drawn up to include the new system. 	Y
West View Primary	Ensure school financial and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - Medium term budgets to be developed for 3 future years showing the effect of higher / lower levels of funding, predicted pupil numbers etc. The school can evidence this by use of the HCSS package. The information on this should be reflected in the School Development Plan. - A timetable for budget preparation is implemented and the budget be approved in General Purposes meetings. - Backup discs to be kept in a fireproof safe each night. - The school consider registering private funds with the Charities Commission on the basis of maximising potential income. The bank mandate is updated when any changes occur. - Accounts be audited on a yearly basis and monitored on a regular basis. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

		- Headteacher's signature to be evidenced on Neighbourhood Services transfer invoice documentation as evidence of authorisation of the payment. Documentation received by email to be retained.	Y
		- Contract Information module in SIMS to be updated to ensure that the annual salary amounts recorded are correct.	Y
		- All income to be included on 1 analysis sheet per week.	Y
		- Income collected by staff e.g. Breakfast Club, should be paid into the school office daily. Income should be agreed to records held by the member of staff and the School Clerk. Both signatures should be recorded.	Y
		- Orders should be committed to SIMS as soon as possible and every effort made to commit expenditure before invoices received.	Y
		- That a Best Value Statement be completed.	Y
		- A comprehensive inventory is put in place.	Y
		- Governor Interest Forms should be obtained for all Governors in office.	Y
		- A Statement on Internal Control (SIC) should be prepared and approved by the Headteacher, Chair of the Governing Body and Chair of the General Purposes Committee.	Y
		- The Whistle Blowing Policy should be formally communicated to staff and approved by Governors.	Y
		- Carry out a self evaluation of Governor competencies in line with FMSiS guidance.	Y
		- Written statement is completed of roles and responsibilities of staff with a financial responsibility.	Y
		- A self evaluation of staff financial management competencies should be carried out by the Headteacher and School Secretary.	Y
		- For staff with financial management responsibilities ensure that their performance management targets include relevant financial management targets.	Y
		- Benchmarking findings should be made known to the Governing Body; where appropriate, an action plan should be put in place with progress against it monitored.	Y
		- The school should develop their own financial procedures. The procedures should be approved by the governing body.	Y

Resource Centres	Ensure that Council procedures are adhered to. Adequate records are maintained for the receipt of income. Petty Cash Floats are securely held, banked regularly and accurately recorded and reconciled. All expenditure made is in accordance with Financial & Contract Procedure Rules.	- Appropriate checks are carried out on all staff on a 3 yearly basis.	Y
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Appendix B

Audit	Objectives
Health and Safety	To ensure an effective H&S Policy agreed by Members is in place, which sets a clear direction for the organisation to follow. The policy should express best practice and comply with legal standards and guidance issued by the HSC/E. An effective management structure is in place with adequate arrangements for delivering the policy across the authority.
Redundancies	To ensure there are arrangements in place to ensure that statutory regulations and legislation are being adhered to. There is a Policy in place for Early retirement/Redundancy and this has been communicated to all employees. There are Procedure/Guidance Notes and training in place for HR staff to ensure that the Policy is complied with. There is an effective division of duties in place ensuring that all cases are reviewed and calculations checked prior to payment. The appropriate authority is received from all parties prior to a decision being made. There are effective budgetary control procedures in place.
Industrial Estate Income	Ensure there is a clear charging policy in place, which maximises income for the Council whilst providing for new / small businesses. The policy is reviewed on a regular basis and any agreed amendments to charges are implemented; Units are let in a transparent and fair manner; Budget working papers are realistic, referenced to trend analysis and actual achievement against budget. Income received is monitored against projected budget to enable prompt identification of variances; All income due to the Council is received in full and correctly processed; Adequate debt monitoring / recovery arrangements are in place; The Council complies with Health and Safety legislation.
Trading Standards	Ensure HBC Trading Standards Service provides a service for Hartlepool in line with statutory obligations and Council Policy. Clear guidelines are in place to ensure a consistent standard of service; The service enforces all legislation set by central government in order to provide a fair trading environment for consumers and traders and to provide a customer friendly consumer advice & conciliation service for residents and businesses; The service has developed mutually beneficial partnership with other bodies in order to share intelligence and information designed to increase the benefit of fair markets and consumer protection. Liaison with other bodies prevents duplication of work and overlapping activities. Effective management information systems are in place to ensure all areas of illegal activity are identified. Procedures are in place to ensure that evidence gathered is reliable, complete and accurate and can withstand challenge in legal proceedings; Assets are held / disposed of securely and adequate performance measures are in place to monitor the efficiency and effectiveness of the service.
Members Code of Conduct	Ensure all members of the council are aware of and comply with any legislation, National Code of Local Government Conduct and the Council's Procedure Rules relating to the disclosure of all pecuniary and other interests, including gifts and hospitality. There is an effective mechanism in place for dealing with the mediation and conciliation of complaints at a local level as required by the new ethical framework with adequate reporting lines to inform results to the Standards Board / Members. There are adequate arrangements in place to undertake self assessments of arrangements for ensuring ethical standards (such as the Audit Commission / Standards Board Ethical Governance Audit Tool and facilitated workshop). There are arrangements in place to identify and implement best practice techniques.
Improvement/ Renovation Grants	The authority has a clearly defined policy and up to date procedures which act as a guide to staff and are available to applicants, agents, contractors etc; Entitlement to grant assistance is calculated promptly and in accordance with statutory requirements and Council Policies; The level of grant is calculated accurately, in accordance with statutory requirements and Council Policies; Grant aided works are completed satisfactorily, to a required standard; Payment of grants are authorised, recorded and made in accordance with statutory requirements and council policies; Grant conditions remain in force for the appropriate statutory period; Grant payments are recovered in the event of non-compliance with the grant conditions, where applicable; Complaints are dealt with appropriately.

Building Maintenance	To examine the arrangements in place to manage the maintenance of Council property in line with Council objectives, procuring the services required to provide a maintenance function and the monitoring of this provision.
Asset Register/Capital Accounting	To ensure that all existing assets are identified and correctly recorded in the register; There is effective management of assets; Assets are correctly valued; All additions, deletions and amendments to the fixed asset register are completely and accurately recorded; Capital charges are correctly calculated and recorded in the accounts.
Environmental Enforcement	Ensure all legislative requirements and internal procedures are adhered to in the provision of the service.
Partnerships	Ensure adequate governance arrangements are in place for significant partnerships.
Community Transport	Community Transport services are only accessible to authorised users; Income is recorded, securely held, banked promptly and in full; Performance data relating to the service is accurately recorded and reported; Safety of service users and drivers is ensured; The service is adequately insured; The terms and conditions of contracts and Service Level Agreements are complied with and arrangements are regularly reviewed.
Debtors	Errors and omissions are minimised. The responsibility for raising sundry debtor accounts is clearly defined. The debtors system is operated with due regard to economy and effectiveness. Debtor's accounts are promptly and correctly raised in respect of all miscellaneous and service charges due to the authority. Amounts due are credited to the correct income accounts. Administrative procedures ensure that debtor's accounts are dispatched promptly and are followed up when no payment has been received. All write-offs of amounts due from debtors are properly authorised. Debtors payments received are processed promptly and are correctly posted to the debtors accounts. Correct recording of outstanding sums due in the annual accounts.
Creditors	Supplies of goods and services are properly authorised and comply with standing orders and Financial Procedure Rules; Procedures ensure that payments are only made for goods and services received; Controls over input ensure that it is authorised, complete, accurate, not previously processed and timely; Processing controls ensure that all data is processed and accounted for, and that backup copies of files are taken at appropriate intervals and held securely; All expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained; Cheques and data are securely controlled both as blanks and when completed; Policies relating to data protection, information classification and information security within the authority should be adhered to.
NNDR	The authority maintains a secure system for recording and monitoring collectable non-domestic rates. Liability for NNDR is accurately assessed and timely bills for the correct amount are sent to the occupiers of all rateable hereditaments in the authority's area. The authority maintains an accurate list of all hereditaments subject to locally collectable non domestic rates. All NNDR money collected is promptly posted to the correct account. Relief given for transition, charities and hardship are given in accordance with the regulations and local schemes and all write offs are valid. The authority complies with other legal requirements. All write offs are valid and correctly processed and authorised. Liability for NNDR is accurately assessed and timely bills for the correct amount are sent to the occupiers of all rateable hereditaments in the authority's area. Prompt and effective recovery action is taken on all overdue unpaid amounts. NNDR transactions are recorded in the authority's accounts.
LAA	To determine the extent and implications of the grant conditions and evaluate the arrangements in place to ensure that these are achieved. To examine the funding reporting arrangements and budgetary control procedures. To ensure that capital assets procured by the LA are appropriately recorded. To ensure that actual outcomes are reported on a regular basis. To identify and evaluate the arrangements in place for collating outcome figures, ensuring that these can be supported by back up documentation. To evaluate the risk management processes in place. To assess the arrangements in place for approving projects. To evaluate the internal monitoring arrangements in place.

Fraud Awareness	To evaluate the awareness of fraud across the Authority considering the following areas: Newslines, Management Matters, Payslips, Article in Hartbeat, Council Tax Leaflet and Trading Standards. Identify any gaps. Complete the 'Managing the Risk of Fraud' checklists covering: Adopting the Right Strategy, Accurately Identifying the Risks, Creating and Maintaining a Strong Structure, Taking Action to Tackle the Problem, Defining Success. Examine Corporate Risk Register re: Risk of Fraud.
Main Accounting System	Financial management arrangements, accounting standards and policies adopted by HBC meet the requirements of the organisation, comply with legislation and best practice and are adhered to throughout the organisation; The financial accounting system is sufficiently robust and flexible enough to meet the needs of different users (i.e. budget holders, senior managers, those charged with governance), capable of expansion to meet any growth in the organisation or in its financial information requirements; All transactions recorded in feeder systems are completely and accurately transferred to the main accounting system. Accounting balances from the previous financial year are brought forward into the current years accounts correctly; Transactions within the main accounting system are correctly coded and calculated; The output from the main accounting system is correctly presented in the authority's final accounts; The security and integrity of the system is maintained.
Partnering Contracts	There is a clearly defined policy in place agreed by members, that is in line with corporate objectives, legislation/regulation, which promotes value for money and sustainability, is subject to regular review and communicated to all relevant parties; Contracts/partnership agreements for individual projects should state clearly the agreed objectives as well as showing how risks to the achievement of such objectives are to be managed and by whom. They should incorporate arrangements for achieving continuous improvement (i.e. KPI's); There is adequate separation of duties in place; There is effective monitoring of partnering contracts; Work should be completed to a satisfactory standard.
Budgetary Control	Examine and evaluate the systems and procedures in place for planning, setting and gaining approval of budgets, taking ownership of and monitoring progress of budgets.
Benefits	Examine and evaluate the systems and procedures in place to administer Council Tax and Housing benefits to ensure that benefit payments are made promptly and to the correct recipient; benefits are assessed in accordance with verification framework regulations and are calculated correctly; outputs are independently checked for accuracy and reasonableness; transactions are recorded correctly in the Authority's accounts; and all records and documentation are safeguarded from loss and unauthorised access.